FINANCIAL TIMES

No. 26,157 Monday September 10 1973 ** 6p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.10; BELGIUM Fr.14; DENMARK Kr.2.25; FRANCE Fr.1.50; GERMANY DM1.30; ITALY L.170; NETHERLANDS Fl.1.00; NORWAY Kr.2.50; PORTUGAL Esc.10; SPAIN Ptas.20; SWEDEN Kr.2.00; SWITZERLAND Fr.1.20; EIRE 7p.

NEWS SUMMARY

BOMBS

Police raids in two cities

Police investigating bomb explosions in London and Manchester raided houses in both cities yesterday and warned that the public should keep on guard against more incidents—in any part of the country.

Commander Robert Huntley, of the Metropolitan Police bomb squad, said his men found pieces of clockwork and metal after a bomb in a carrier bag went off at London's Victoria Station on Saturday afternoon, slightly injuring five people. This bomb appeared to be of a type used by the IRA.

In Manchester, three incendiary devices went off in city centre doorways, scorching shop fronts but not setting fire to them. A fourth bomb was found in time.

No-one was arrested in yesterday's raids, police said.

Joseph backs swap surgeon

Sir Keith Joseph, Minister for Social Services, backed Mr. Magdi Yacoub, the surgeon who performed Britain's first heart transplant for four years, but repeated his belief that enthusiasm should be restrained until "immunological problems" have been solved.

The 56-year-old office manager who received the heart of a 15-year-old boy—victim of a road accident—died only hours after Saturday's operation at Harefield Hospital, Uxbridge.

Belfast boy's body found

The burned and mutilated body of a 10-year-old boy was found in a sack in Belfast's River ... and identified last night as that of Brian McDermott, missing from his home for a ... Police do not believe the ... had a sectarian basis.

... who refused to let the ... search his car at an ... checkpoint was "very ... hospital after being shot ... struggle with a soldier.

... considers U.S. links

Ministers from the nine ... countries gather in Copenhagen to-day for a meeting that ... lead to an historic breakthrough in European political co-operation and in the Nine's relations with the U.S.
Back Page

Troops attack Chile factory

Relations between the Chilean armed forces and the Government were put under a new strain over the week-end after airport troops machine gunned a nylon factory, claiming that its workers were "armed, organised and trained for para-military operations."
Page 5

Injured Anne to fly home

Princess Anne flies home to-day with a suspected broken collar-bone. She fell heavily from her mount in Saturday's cross-country phase of the European Equestrian championships in Kiev. Alexander Yevdokimov of the Soviet Union won the individual title and West Germany took the team event. Page 3

Champ again

Britain's Jackie Stewart finished fourth in the Italian Grand Prix for Formula One cars and won the world championship for the third time. First in the race was Ronnie Peterson of Sweden. Other Sport: Cricket and yachting, Page 3; Rugby, Page 39.

Briefly . . .

Winner of £25,000 Premium Bond prize (No. 9LB 497510) lives in Co. Durham.

Cholera deaths in Italy now total 24.

Author J. B. Priestley, has been made an Honorary Freeman of Bradford, his home town.

Police arrested 25 youths during Saturday's Ipswich Town—Manchester United soccer match.

BUSINESS

Chrysler unions attacked by EPTU

● **UNION LEADERS** Hugh Scanlon of the AUEW and Jack Jones of the TGWU have been criticised by a leading member of the electricians' union for allowing their members to work with "scab" labour at Chrysler U.K. car plants at Coventry and Linwood. EPTU members there are on strike, but the company has called in supervisors from other plants to maintain machinery.
Back Page

● **REJECTING** suggestions that the Price Commission was a rubber stamp body, Sir Geoffrey Howe, Consumer Minister, said it had allowed in full less than one third of all applications. The remainder had been rejected, withdrawn or reduced.
Page 37

● **MR. MICHAEL HESELTINE,** U.K. Aerospace Minister, is to attend the first international air show to be held in Sao Paulo, Brazil, which opens on Friday. More than 20 British companies are exhibiting.
Page 4

● **ITALY'S** industrial production in July increased by 15 per cent. on last year, raising the total increase for the first seven months of 1973 to 6.1 per cent. Labour disputes disrupted production in the first quarter.
Page 5

U.S. plan for cheap air fares

● **CHEAP** transatlantic charter rates of as little as £63 return are proposed in a plan put forward by the U.S. Civil Aeronautics Board. Page 6

● **LENDING RATES** charged by the Irish Associated Clearing Banks are to go up by ½ per cent. from the close of business to-day. The new prime rate for preferential borrowers will be 11 per cent.
Page 5

● **U.K. WOOL** textile exports were £21.1m. in July, an increase of 76 per cent. on July 1972.
Page 39

● **ARROWCROFT** Investments has been granted outline planning permission for a £3m. redevelopment scheme at Newark, Nottinghamshire.
Page 6

● **TATTERSALLS** will hold a special sale at Newmarket on December 1 for a draft of 30 American-bred fillies, all with winning form.
Page 37

● **DR. ARTHUR BURNS**, chairman of the U.S. Federal Reserve Board, expressing optimism over the prospects for the U.S. trade and balances payments, urged that a tax increase be introduced to soak up excess demand.
Page 5

Japan trebles whisky imports

● **JAPAN** is now the second largest customer for Scotch whisky, with exports there—at £10.9m. in the first seven months—246 per cent. above the comparable figure last year.
Page 6

● **MERCEDES-BENZ** is to launch two new cars at the Frankfurt Motor Show later this week—the 230 4, which replaces the 220, the cheapest Mercedes, and the diesel-powered 240 D.
Page 44

● **STAPLEGREEN** Insurance Holdings recorded a 21.7 per cent. increase in pre-tax profits to £2.46m. for the year ended March 31, 1973, and was laying the foundations of an "expansionist policy," said Mr. F. L. Perkins, the chairman.
Page 38

● **ILLINGWORTH MORRIS,** the worsted spinner that last year recorded "extraordinarily good" profit figures, expects further improvement this year, reports chairman Mr. M. Ostrer.
Page 38

● **NORFOLK CLERGYMAN,** the Rev. Tony Clements, who quit his job as a parish priest to grow African violets, has formed a £50,000 holding company to meet the boom in demand for the flower.

ON OTHER PAGES

Australia and New Zealand revalue to check inflation

By ANTHONY HARRIS

Australia and New Zealand yesterday announced revaluations of their currencies against the U.S. dollar. The Australian dollar will rise 5 per cent. to stand at US $1.4875, and the New Zealand dollar by 10 per cent. to US $1.478. In both cases, the declared motive is to check domestic inflation.

The foreign currency prices of Australian and New Zealand exports of farm produce and minerals are not expected to rise more than marginally as a result, except in the case of New Zealand lamb, but both Governments hope to encourage imports of manufactured consumer goods.

The revaluation will in each case, be supported by domestic measures. The Australian programme stresses monetary restraint, while New Zealand is introducing tighter price controls, restrictions on some food exports, and liberalisation of imports.

Both countries have already revalued in recent months—Australia by 7.05 per cent. when Mr. Gough Whitlam's administration took office in December, New Zealand by 3 per cent two months ago.

The latest revaluations, which are reported to have been decided on without consultation, come close to restoring parity between the two currencies.

In Whitehall, the moves were greeted with surprise, but it is thought that the effect will on balance be favourable to the UK.

Dairy products, which are perhaps the most important U.K. imports from the two countries from the cost of living point of view, are in world surplus.

In any case, the levy-free price of New Zealand butter under the U.K. Treaty of Accession with the EEC is fixed in sterling at £390 a ton. Fruit and mineral imports from these sources are also subject to strong world competition.

The price of New Zealand lamb could prove sensitive, both because of the new restriction on New Zealand exports, and because conditions of world meat shortage may encourage producers to hold out for higher prices.

On the other side of the account, the revaluation should help British exporters in markets in which they have traditionally been strong. The higher New Zealand import quotas, including a 50 per cent. increase in the quota for built-up cars, are also seen as offering opportunities for British exports.

Australia's domestic monetary restrictions, which are intended to mop up excessive liquidity, are likely to be supported by continued measures to discourage the inflow of foreign capital.

Michael Southern, Australia Editor, writes: Mr. Gough Whitlam, the Prime Minister, foreshadowed a sharp increase in interest rates in the near future as a result of the revaluations.

He said the Reserve Bank, with the support of the Government, would step-up its activities in the bond market vigorously to increase sales of Government securities in an attempt to mop-up excessive liquidity in the private sector.

A sharp rise in interest yields on Commonwealth issues would take place and would be reflected in higher interest on new issues. This is seen by the Government as a major step in its fight against inflation, currently running at some 13 per cent. a year.

This move is surprising in that the Government and, in particular, Mr. Frank Crean, the Treasurer, have advocated a low-interest rate policy.

One of the major problems the Government sees is its excessive overseas reserves. Steps to reduce the capital inflow have included the rule requiring a 25 per cent. deposit of incoming funds to be deposited interest-free with the Reserve Bank. While this has slowed down the capital inflow, reserves are still high as a result of the

Continued on Back Page

Oil: U.S. must not be at anyone's mercy—Nixon

BY ADRIAN DICKS WASHINGTON, Sept. 9.

PRESIDENT NIXON said yesterday that the U.S. must rely on making better use of its own energy resources to avoid being at the mercy of other countries.

"We are going to do the very best we can to work out problems with Mid-Eastern countries," he declared, but went on to reiterate: "We are also keenly aware that no nation must be at the mercy of any other nation by having its energy supply cut off.

"The U.S. must be in a position where no other nation can cut off our oil."

Top officials

After a lengthy and reportedly stormy meeting with 15 of the nation's top officials concerned with energy matters, Mr. Nixon announced a number of decisions intended to help solve both short- and long-term energy supply problems.

Although not directly linked to last week's nationalisation moves of foreign oil companies by Libya, to which he made no direct reference, the meeting was inevitably overshadowed by the action of Colonel Khedaffi.

The President appealed to state and local governments to relax their clean air standards to allow high sulphur content heating oils to be imported this winter, warning that "very serious shortages" might be the alternative.

Governors of key north-eastern and mid-western states are to meet this week to discuss the matter with Mr. John Love, the President's assistant for energy problems.

Mr. Nixon also said he attached "the highest urgency" to four energy Bills now before Congress — those allowing construction of the Alaska pipeline, setting new strip-mining standards, increasing natural gas prices and permitting new deep-water tanker ports to be built.

Looking to the longer term, he announced he would seek to open up for production one of the four large domestic oil reserves set aside for use in wartime by the U.S. Navy.

This is the Elk Hills field close to Bakersfield, California, which is estimated to contain some 1,000m. barrels, sufficient to produce more than 200,000 barrels a day.

The President repeated his belief that the licensing system for nuclear power stations must be speeded up, serving notice that he intends to brush aside doubts raised in recent months about the safety of a number of plants either already built or in the planning stages.

There is also likely to be stiff opposition from environmentalists to the Administration plans to relax State and local controls on the use of high sulphur oils just when real improvements in the quality of the polluted air of many large U.S. cities have begun to be felt.

It is a fairly safe bet that the motor manufacturers, given the trend of Administration thinking, will be the next group to seek further postponement, on grounds of fuel economy, of the *stiff clean-exhaust regulations* due to come into effect on 1976 model cars.

Washington feels, however, that until Americans can be persuaded to use energy less wastefully it has no choice but try to head off a situation where quite serious shortages would become inevitable according to present projections of rising consumption.

Rationing idea

Last week, Mr. Love floated the idea of a rationing scheme for heating oil this winter, although it is not clear whether the Administration seriously intends to introduce such arrangements or whether it was merely preparing the ground for putting pressure on the states and cities to relax their clean air rules.

The White House believes that relaxation of these standards would increase supplies by between 200,000 and 400,000 barrels a day.

Even so, according to official forecasts, dependence on imported crude this winter is likely to reach some 500,000 barrels a day if normal weather conditions prevail, and could be double that figure if it is really cold.

Second BSC price rise this year may be nearly 10%

BY HAROLD BOLTER, INDUSTRIAL CORRESPONDENT

THE British Steel Corporation is understood to be planning a price rise of just under 10 per cent. from November 1, its second substantial increase this year.

When it brought in its first rises, averaging 9.5 per cent. at the end of April the nationalised BSC intimated that it would need a second, "but smaller," amount in the autumn.

That statement has become something of an embarrassment now, however, because it could be used by the Government to try to persuade the Corporation to keep the size of the increase down to the 5 to 7 per cent. envisaged earlier.

There are two main reasons for the BSC wanting another large advance on November 1—the need to make a sufficient profit to meet the financial target set for it by the Government and to respond to Continental pressure for U.K. steel prices to come more into line with those in Europe.

Although the BSC made a £2.8m. profit last year it needs a surplus averaging some £105m. a year, after charging depreciation but before long-term interest, taxation and plant closure payments, if it is to meet its target of an average 8 per cent. return on net assets over the four years 1973-74 to 1976-77.

To do that it needs to respond to the market now, while it is extremely buoyant and capable of supporting higher prices.

Although the corporation is free of Government control as far as bulk steel prices are concerned, it is still aware that it must act responsibly against the background of the Government's counter-inflation policy, if relations are not to become unbearably strained.

As far as the Continent is concerned BSC now estimates that its prices are between 15 and 40 per cent. below those in Europe on different products.

Because the corporation is now profit-making Continental steelmakers cannot complain that low U.K. steel prices are being subsidised by the British Government. In addition, some of the heat has been taken out of their criticism of the BSC because the world market for steel generally is so strong that they can get the higher prices they seek easily enough.

In the long-term they are still anxious that British steel prices should be much closer to their own when the present boom in demand ends.

Postal rates up to-day

The new postal rates came into effect at mid-night. First class inland mail up to 2 oz is 3½p, and second class 3p. A 6 oz letter first class costs 8p (against 6p).

A parcel under 1½ lbs is 20p (16p), and 22 lbs—the top weight—72p (67p).

Some postal order fees rise and orders up to £10 will be available.

For European and overseas mail a 1 oz letter becomes 5½p (5p) and 2 oz 11p. Airmail to Australia is 10p per ½ oz.

Serious run-down in grocers' stocks

BY SANDY McLACHLAN

THE GROCERY trade is experiencing shortages in such a wide range of brands that many retailers are facing their worst out-of-stock situation for years.

Tesco is having difficulties with several hundred different lines which are either out-of-stock or in short supply due to spasmodic delivery.

Mr. Dick Branston, managing director of Allied Grocery Distributors, which takes in the VG voluntary group, says that in his experience the situation is the worst it has been since the immediate post-war period.

The retailers' experience is backed up by the wholesalers. The National Federation of Wholesale Grocers recently claimed "there has been a combination of widely varying circumstances which have contributed to a build up of an out-of-stock situation which a year or two back would have been regarded as unthinkable."

Late crops

In some cases, natural factors are to blame. The late spring crops of some vegetables made life difficult for canners, and even caused a shortage of potato crisps.

Now, with some fruit crops well below the demand level and others posing canning difficulties by arriving unexpectedly early some canned fruits are likely to be in short supply. A general problem is the all-round rise in price of foodstuffs because of high worldwide demand.

In the U.K. this problem is exacerbated by the situation of the food manufacturers under Phase Two.

Manufacturers are understandably reluctant to allow stocking up by retailers and wholesalers when they feel that a price increase is imminent.

VAT problem

Industrial disputes are responsible for a number of brands being out of stock at any one time. Additionally, the whole supply situation in the confectionery industry was thrown out of gear by the unexpected decision to zero-rate confectionery for value added tax. The manufacturers effectively received only three weeks' notice rather than the 10 weeks which they regarded as a minimum, and delivery disruptions have inevitably resulted.

Another factor which is increasingly making its impact felt is the shortage of all types of packaging materials.

There is also a general shortage of plastic materials with high demand on the one hand and, in the case of polystyrene, raw material shortage as well.

Mortgages: Barber may aid societies

BY JOHN BOURNE, LOBBY EDITOR

MR. ANTHONY BARBER, Chancellor of the Exchequer, is believed to be willing to do what he can to help the building society leaders when he meets them to-morrow for urgent talks about their difficulties over mortgage rates.

He will do this provided he is satisfied with their evidence that society funds are moving significantly to the banks, because of the banks' higher interest rates. Figures on Friday are likely to show a precipitous fall in the societies' intake of savings.

The most likely form of aid—since another Government subsidy is firmly ruled out—would be for the authorities to act on clause 15 of the Bank of England document on Competition and Credit Control.

That envisages a possible ceiling on the interest rates offered by the banks on savings deposits—the small "retail" savings on which the building societies traditionally depend.

Action to reduce interest rates in general is considered unlikely in the present circumstances, with the Government eager to maintain its policy on the money supply.

Undertaking

In return for any "pegging" move on savings deposit rates, the Chancellor would certainly ask for an undertaking that the council of the Building Societies Association, at its key meeting on Friday would recommend members to hold mortgage rates to 10 or 10½ per cent. Some societies are already charging 10 per cent. or more for new mortgages.

If a solution along these lines is reached by Mr. Barber and building society leaders, it would do much to take the steam out of the Government's growing political problem over mortgage rates.

To-morrow's meeting at the Treasury is also likely to deal with one and possibly two longer-term issues.

The first is the Government's continuing pressure on the societies to create a stabilisation fund, to be built up when investors' money is plentiful, as it was last year, and then use when the money begins to dry up, as it has in recent months. It is recognised that such a fund might need official support for its interest rate; contributions might be subject to official control.

Mr. Barber may also urge the societies to consider abandoning their long-established policy of paying the same interest rates to all classes of depositors. Differential rates for smaller investors and large ones—with a higher rate for large sums on long-term deposit—would help a great deal, it is felt, to minimise any problem caused by the banks siphoning off funds from the societies during periods of rising interest rates.

Indicators

This week will also provide a further batch of important economic indicators.

The movement of wholesale prices in August, to be published to-day, will be studied with some concern. These have been lagging behind import prices for some time and retail prices have lagged in their turn, so the index is a warning of inflation to come.

The trade figures, to be issued on Thursday, are expected to show a continuing upward trend in exports. They key question there will be whether there is any change in the trend of imports. The City is already discounting a very heavy deficit, and a figure of less than £150m. would be greeted as good news.

This might also offer a temporary and welcome pause in the economic policy debate.

Mr. Barber is understood still to be holding firmly to the view that the economy is not overheating—in spite of pressure and labour shortages in the construction industry, which should be eased eventually by current high interest rates—and that the Government should continue with its present economic policy.

Barring unforeseen incidents, Mr. Barber is now expected to make his next major pronouncement on the state of the economy at the Mansion House banquet in mid-October, after the party conferences and just after Parliament reassembles.

Editorial comment Page 12

Government advisers are drawing-up fresh criteria for productivity pay rises under Phase Three. Some flexibility may be allowed, but "efficiency schemes" will be expected to be, at least partially, self-financing.

Ministerial delay is being blamed for placing the Price Commission in an embarrassing position over increased electricity charges. The Commission dealt with the Electricity Boards' request to put up prices by an average of 10 per cent., but awaits a final decision from Mr. Tom Boardman, Minister for Industry.

Details, Back Page

هكذا من الاصل

Letters to the Editor

BRACKEN HOUSE, CANNON STREET, LONDON, EC4P 4BY

Inflation accounting · Modern education · Juggernauts

Sir,—I would like to point out an error in the article on inflation accounting by John Kay on September 5. In discussing the effect of the Accountancy Standards Steering Committee recommendations upon the accounts of Land Securities he states that if inflation continues at 10 per cent. per annum the addition to profits over the next 25 years in respect of the decline in real value of the fixed-interest debt would, under ASSC rules, "be more than twice the value of the debt." This, however, is not so as it completely ignores the changing value of the monetary unit. Expressed in terms of 1998 pounds £100m. borrowed in 1973 is equivalent to approximately £1,083m. Consequently there is a total credit of £983m. in terms of 1998 pounds, representing 91 per cent. of the value of the debt, and not more than twice.

One of the inherent difficulties with current purchasing power or inflation accounting is that the unit of measurement is constantly changing. Users of accounts are most interested in seeing items expressed in terms of "real" pounds at the latest available date (which usually means in practice the last balance sheet date to which the accounts are made up). Thus each year's inflation-adjusted accounts will be measured in terms of a different currency—1973 accounts will be measured in 1973 pounds, 1974 accounts in 1974 pounds and 1998 accounts in 1998 pounds.

It follows that it is invalid to add together amounts in different inflation-adjusted statements until they have all been expressed in the same currency—whether it be 1973 pounds or 1998 pounds—just as it is (or at least should be) invalid in conventional historic-cost monetary accounts to add together assets purchased in 1938 with those purchased in 1973. Unfortunately there appears to be no alternative to the constant updating of prior year's figures—so long as people think in terms of the current value of the pound in their pocket.

It should also be stressed that such updating is necessary whatever the valuation basis on which the accounts are prepared. It would still be as essential if the historic cost principle was done away with, as Mr. Kay so rightly advocates, and accounts were prepared on the basis of current values. Where there is 10 per cent per annum inflation 1973 current values would be no more comparable with 1998 current values than with the much-criticised 1938 historic values. Mr. Kay is therefore wrong in concluding that if a change to the current value principle were made "the need for separate 'inflation accounting' would disappear."

R. M. Wilkins.
5, Stanhope Road, Highgate, N.6.

Rail and the Chunnel

Sir,—Mr. Gordon Rose (September 4) blandly equates Channel tunnel plus rail=bridge. Accepting the need for a fast rail link, has he considered that if a bridge is built then it, too, will need a rail link. Completing Rose's theorem for him, a bridge would thus cost £1,400m. plus £500m.=£1,900m.

Apart from financial grounds, there are strong environmental aspects involved. People should bear in mind that if there is no tunnel or bridge then a fast rail link with the coastal ports will be needed even more—so why put its cost to the account of the tunnel?

Ray Dafter's article (August 29) was very well written. We all agree that there should be more public disclosure about the tunnel. More correctly, the public should make more enlightened use of the information already available to it.

A. R. Titchener,
Secretary,
The Channel Tunnel Association.
24, Seymour Place, W.1.

Progressive education

Sir,—Mr. Joe Rogaly's emotive description of modern progressive education (September 4) and in particular his remarks about the teaching of reading, bears little relationship to the good educational practice which obtains in the vast majority of our schools to-day.

While there is some evidence for the belief that standards of reading have declined in recent years, it should be remembered that there is no means of comparison over a long period, partly because the evidence of decline in the more recent past is based on criteria and methods which are open to question. The belief is more commonly based on the subjective impression of many employers and teachers, and the validity of this impression is difficult to assess. The increasing belief in and provision of educational opportunity for all children has naturally spotlighted and rendered more conspicuous educational problems which existed before in relative obscurity and were accepted as facts of life to be pigeon-holed in a convenient slot in a selective educational system, rather than problems to be tackled.

The definition of reading readiness used by Mr. Rogaly of "letting the children look out of the window" is far from the truth. Most teachers would regard it as a stage in development, when, either through maturation, or through previous learning or both the individual child is ready to learn to read. This is something which can be worked for within the classroom and is a matter which calls for great professional expertise. Teachers realise that a child will not read until the physiological, environmental, emotional and intellectual factors involved in the process of reading are ready—but they do not wait until these evolve; rather do they work constructively towards them after careful individual diagnosis.

In recent years there has been a great deal of research which emphasises the intimate connection of speech with general intellectual development, the thought processes depending upon and taking the form of internalised speech. It is also abundantly clear that speech development is the essential foundation for learning to read. Informal teaching methods in the primary school have certainly improved the oral skill of many children. There is no more welcome sound to a teacher's ears than the happy buzz of a busy class. Silence in the classroom is no longer golden.

As the effective basis of linguistic development is normally laid in the first four years of a child's life, and failure here hinders all subsequent development, the most urgent need is for nursery education and this to be implemented much more rapidly than is envisaged at present.

The new forms of education are being carried out with a great deal of success in many of our schools to-day, combining all of the traditional standards with the ability to think creatively which is so essential for the world of to-day and to-morrow.

Vera Treifer (Mrs.),
Official—Education Department,
National Union of Teachers.
Hamilton House, Mabledon Place, W.C.1.

Vouchers for schools

Sir,—In his excellent article "Progressive Teaching, Backward Children," Mr. Rogaly recommends more parental control in education. On the same day one of your correspondents, Mr. J. S. Macartney, pointed out the benefits of private education and made a plea for their extension—suggesting the voucher system of financing education.

This is a radical attempt at improving the educational opportunities of all children from whatever background, while at the same time offering parental choice (thereby control) in the selection of schools—choice between the public sector of education and the private sector.

Parents would be awarded an annual cash voucher for each child, equivalent to the cost of State education. The voucher could either be cashed at a State school or used as a contribution towards a private education.

In this way the present State monopoly in the market for mass education would be subjected to very real competition, as even the poorest parents would be able to exercise choice. This would be a salutary discipline to educational theorists. It would also enable the re-establishment of proper educational facilities in some of our more deprived areas.

Antony Marlow.
The Old Castle, Braunston, Nr. Rugby, Warwicks.

Concepts of education

Sir,—Despite my inferior qualifications, I feel I must reply to the misguided views expressed in Mr. Comino's letter (September 5).

He suggests that the sole criterion for judging the quality of a University education is its value to industry and, furthermore, he equates the ability to cope in industry with the ability to face up to the problems of the outside world. May I suggest that Mr. Comino has a distorted view of what University education is, or rather should be about.

Education, as distinct from mere training, is best regarded as an end in itself: a University education is intrinsically valuable, requiring no justification by such extrinsic factors as "usefulness to industry." Given Mr. Comino's utilitarian concept of education, one cannot help feeling that his suspicion that his university education is of little value to him is wholly justified.

Perhaps it is the case that properly educated graduates find the prospect of working in industry unappealing and regard the values of industry as unacceptable. Could Mr. Comino's firm be interested in employing only less educated people? In my experience, industry does attract the gross materialists, the gullible, and the individual with blunted sensibilities and truncated powers of moral judgment.

Had Mr. Comino stated that he gets no greater personal satisfaction than to feel he has contributed in helping young people develop and make a useful contribution to Dexion-Comino International, one could have warmed to his honesty but because he believes he is helping them to contribute "to society," he must be judged a misguided, naive philistine.

A. Jordan.
4, Ashlea Road, Pensby, Wirral, Cheshire.

Juggernauts again

Sir,—Oh dear, Mr. Hamilton (Sept. 5) and his like still show no sign of comprehending transport. Lorries only exist because someone needs their services. They are not operated for fun. Therefore the only way to get them to go away is to stop using the goods and services they carry.

If Mr. Hamilton can stop patronising all those shops in Brompton Road (and persuade all his friends and neighbours to do likewise) and if the GLC would build a ringway for the through traffic, there would be no need for any goods vehicle within earshot of Mr. Hamilton's flat. That is until with threadbare clothes and in a starving condition Mr. Hamilton finds life in London so intolerable that he calls for a removal van to go elsewhere!

Of course the whole idea is a nonsense. All goods (and their complementary services) at some stage will be involved with road transport, irrespective of whether the trunk part of their journey is by rail, water, air or motorway. It cannot be avoided. The petrol engine may be "obsolescent" (although I think reports of its impending demise are much exaggerated) but road transport is not.

My own industry (the removal industry) existed before the internal combustion engine and will no doubt continue after it. It may be necessary to go back to the horse or we may have to have road vehicles propelled by engines running on electricity, steam, hydrogen, coal gas, charcoal, sunflower oil or peanut juice—but whatever happens there will still be a need for road vehicles.

Hopefully some of these methods of propulsion will produce less noise and pollution but all of them will have their disadvantages. In the old days they used to put down straw in the street to deaden the noise of passing horse vehicles when there was serious illness in the house and the horse always had its own peculiar form of pollution. Electric milk floats make an irritating whine and so on.

What Mr. Hamilton ignores about motorways is that they are a most efficient form of road. So that for a given journey the amount of fuel needed to move a given quantity of goods is less. Thus if we really wanted to save energy the essential thing to do would be to replace thoroughly inefficient roads (like the South Circular) with fuel-saving modern ones (such as Ringway 2). Grinding along in first gear is not the way to save petrol (or any other fuel).

Let it not be thought that I have no sympathy with Mr. Hamilton's aims. I myself live on the edge of the green belt. I want England to remain a green and pleasant land. I would be very unhappy if a motorway were built across the field at the bottom of my garden. But, since I like a comfortable standard of living and am not prepared to see it diminished (and I suspect that most of my fellow citizens think likewise), it follows that I must be prepared to accept some sort of compromise between my conflicting desires. Some large lorries and some motorways must therefore form part of that compromise.

Hugh W. Wilson,
General Secretary,
British Association of Removers,
279, Gray's Inn Road, W.C.1.

Lorries lead to cleaner air

Sir,—It would be inexcusable if I did not defend my argument for the juggernaut. The criticisms levelled at my observations by Mr. Hamilton (September 5), in my humble opinion, hold very little argument.

In the first instance, there is no specific choice available. It would be impossible to make this, or even contemplate it, as a reality. Juggernauts *create* cleaner air, less pollution, less danger to architecture and human beings. By very virtue of the fact that, if these so-called "monsters" were banned, they would be replaced by perhaps three or four smaller trucks—causing greater pollution, taking up more road space, requiring more buildings to be demolished, and increasing the danger to human lives between two and three times.

Furthermore, one has to establish that a juggernaut is merely a 12-metre lorry with a foreign registration: for there are many English transport companies using this mode of transport—but these lorries are referred to as "artics" or "trailers." In striving to achieve a better standard of living, one must endeavour to stabilise prices. As in my previous letter, I again reiterate there is great economic sense in large trucks, which has a very acceptable influence in maintaining, and even reducing, cost prices.

We live in a progressive environment, and juggernauts are part of a logical progression. Perhaps Mr. Hamilton would like to ban aircraft, on the grounds of noise, pollution and disturbing the peace!

Geoffrey R. Adler,
Deputy Chairman,
Edward Adler.
International House, 19, Colindale Avenue, N.W.9.

Euston Square booking hall

Sir,—British Rail's latest proposals for commercial development in front of Euston Station, currently on display there, apparently have the blessing of the Greater London Council. If so, the project reveals all too clearly the way in which thinking at County Hall remains completely dominated by road traffic. Although a pedestrian subway is to be driven right over the top of the Circle Line tunnel to reach the south side of Euston Road, no effort whatsoever will be made to bring about a much-needed improvement in the interchange between Euston main line and Euston Square underground stations.

There is already substantial interchange from Euston to the Circle Line, despite the long walk at present necessary, and by 1980 there will be many thousands of passengers needing a direct underground link between Euston and the Channel Tunnel terminal at White City. Construction of a new booking hall beneath the south-west corner of Euston Square, linked by a covered way to the proposed office development, would meet this need by greatly improving access to Euston Square underground station at reasonable cost.

If the expressions of goodwill towards public transport uttered by the Leader of the GLC after his election earlier this year have any meaning at all, he should insist that the century-old anomaly whereby the Circle Line misses Euston should be corrected in any proje[ct] development in this area. a public transport autho[rity] as BR should draft redevelopment projec[ts] deliberately exclude [...] ties to improve passeng[er inter]change is nothing [...] scandalous.

Richard Hope, C.Eng.,
Editor,
Railway Gazette Intern[ational],
Dorset House, Stamford Street, S.E.1.

Graduates [and] industry

Sir,—The extensive [...] ence provoked by my [...] August 17 has demons[trated] keen interest in gra[duates and] their relationship to in[dustry] the difficulty of comm[unicating] one's views adequately.

May I discount e[...] "sour grapes" comme[nt...] some people have the [...] stics which benefit fr[om univer]sity education, oth[ers like] myself, are happy to h[ave had a] grammar school educ[ation and] acquired practical, [...] and general knowledg[e through]out our lives from [...] experience, observatio[n and dis]cussion. Of course w[e recognise] the value of higher [education] particularly for p[...] whose knowledge w[e...] whose company we e[...]

Industrial enterp[rises] started by craf[tsmen] "businessmen," man[y...] lack the education o[r...] outlook to benefit [...] specialist skills of [...] could assist them t[o...] manage their busines[s...] quite unrealistic to e[xpect them] to employ graduates [...] to suggest that they [...] up training courses f[...]

To run an industrial e[nterprise] to-day needs men and [...] high intelligence an[d I believe] strongly that far mo[re] bright young people o[n leaving] school should seek to [...] selves first in a trade [...] industrialists by, taki[ng] jobs as craftsmen in [...] where they will come [...] the numerous practica[l...] of their particular ind[ustry and] develop the knowledge [...] to solve them.

If it were possible [...] this essential knowled[ge...] by academic study, [...] there would be many m[ore...] educated millionaires."

J. P. Coleman,
Chairman,
Gresham Lion Group,
Gresham House, Twickenham Road, Feltham, Middx.

TV/Radio

Havelock can extend plant Court rules

Havelock Manufacturing has been given the go-ahead by Falkirk Dean of Guild Court to carry out a £200,000 extension to its Middlefield Estate factory, which is expected to be ready by next June. The 20,000 square feet extension provides for warehousing, office and factory space.

The company, which came to Falkirk in 1966, employs 350 workers. When in full production, the extension will bring the number up to about 500.

† Indicates programme in black and white

BBC 1

12.25 p.m. A Chance to Meet: John-Michael Tebelak, creator of "Godspell." 1.00 Llwybrau'r Wlad. 1.25 News. 1.30 Andy Pandy. 1.45 The Fanatics. 2.00 The World of the 11th Duke. 2.50 Times Remembered . . . by children from abroad. 3.00 Scope. 3.30 That Monday Morning Feeling. 4.00 Play School. 4.25 Yogi Bear. 4.35 Jackanory. 4.50 Blue Peter. †5.15 The White Horses. 5.40 Adventures of Parsley.

5.45 News.
†6.00 Nationwide.
6.40 Sykes.
7.10 Star Trek.
8.00 Panorama.
8.50 Natural Break.
9.00 Nine O'Clock News.
9.25 "Here We Go Round The Mulberry Bush," starring Judy Geeson.
10.55 Mastermind.
11.25 Late Night News.
11.30 Fact and Fiction.

All Regions as BBC-1 except at the following times:—

Wales—1.30-1.45 p.m. Ar Lin Mam. 6.00-6.40 Wales To-day. 6.40-7.05 Heddiw. 7.05-7.15 Tom and Jerry. 7.15-8.00 Wonderful World of Disney. 10.55-11.25 Butterfly (play). †11.57 p.m. News of Wales.

Scotland—6.00-6.40 p.m. Reporting Scotland.

Northern Ireland—6.00-6.40 p.m. Scene Around Six. †11.57 Northern Ireland News Headlines.

England—†6.00-6.40 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South West (from Plymouth). †11.57 Regional News Headlines.

BBC 2

11.00 a.m. Play School.
†5.25 Open University.
7.30 News Summary.
7.35 Opinion.
8.00 The High Chaparral.
8.50 Call My Bluff.
9.25 Show of the Week: The Young Generation Big Top.
10.10 Yesterday's Witness.
10.55 News Extra.

LONDON

9.30 a.m. Design in Steel. 9.55 The Lone Ranger. 10.20 The Name of the Game. 11.30 Galloping Gourmet. 12.00 The Daily Fable. 12.05 p.m. Mr. Trimble. 12.25 Sing to the Animals. 12.40 First Report. News with Robert Kee, FT index. 1.00 Mr. and Mrs. 1.30 Emmerdale Farm. 2.00 Wildlife Theatre. 2.25 Good Afternoon! †3.00 A Family at War. 3.55 Whose Baby? 4.25 Clapperboard. 4.50 Freewheelers. 5.20 . . . And Mother Makes Three.

5.50 News from ITN.
6.00 The Shadoks, followed by To-day.
6.40 Opportunity Knocks!
7.30 Coronation Street.
8.00 Singalongamax.
8.30 World in Action.
9.00 Crime of Passion.
10.00 News at Ten.
10.30 Longstreet.
11.30 Make a Break.
12.00 The Outsiders.

All ITV Regions as London except at the following times:—

ANGLIA

10.05 a.m. The Enchanted House. 10.15 Riptide. 11.05 The Galloping Gourmet. 11.35 Glass Conscious. 12.02 p.m. Anglia News. 2.00 Singalong. 2.30 Houseparty. 6.00 About Anglia. 10.30 Gardening Diary. †11.00 "Johnny Nobody," starring Nigel Patrick. 12.35 a.m. Faith At Work.

ATV MIDLANDS

9.55 a.m. Forest Rangers. 10.20 Captain Scarlet and the Mysterons. 10.05 Women To-day. 11.10 Yoga For Health. 11.35 Glass Conscious. 12.00 ATV Programme Guide. 2.00 p.m. Survival. 6.00 ATV To-day. 10.30 Citizens' Rights. 11.00 Angling To-day. 11.30 Christians At Large. 11.35 Man In A Suitcase.

BORDER

10.30 a.m. Ed Allen Time. 10.55 Manfred. 11.05 Pretenders. 2.00 p.m. Shirley's World. 6.00 Border News and Lookaround. 6.10 Look Who's Talking. 10.30 Pig and Whistle. 11.00 Journey to the Unknown. †11.57 Border News Summary.

CHANNEL

12.55 p.m. Channel News Headlines. 2.00 Let's Face It. 2.30 Women To-day. 6.00 Channel News. 6.10 Survival. 10.30 Channel Special. 11.30 News and Weather in French followed by Channel Gazette.

GRAMPIAN

11.05 a.m. Danger Man. 12.00 Mid-day Round-up. 2.00 p.m. Dr. Simon Locke. 2.25 At Your Service. 6.00 Grampian News. 6.05 The Jim MacLeod Show. 10.30 University Challenge. 11.00 The Untouchables. 11.55 The End of the Nancy J. 12.20 a.m. Meditation.

GRANADA

10.05 a.m. Towards The Year 2000. 10.30 The Name of the Game. 11.40 Man and His World. 11.55 Cartoon. 2.00 p.m. Galloping Gourmet. 6.00 Northern News followed by What's On? 6.10 This Is Your Right. 6.25 Bugs Bunny and Friends. 10.30 Crime and Mystery: "Warning Shot," starring David Janssen and Eleanor Parker.

HTV

1.00 p.m. Indoor League. 2.00 Whicker Within a Woman's World. 2.30 Housecall. 6.01 Report West. 6.22 Report Wales. †10.30 Late Night Cinema: "The Long and the Short and the Tall," starring Richard Todd, Richard Harris and Laurence Harvey. 12.15 a.m. Shirley's World.

SCOTTISH

10.55 a.m. Yoga for Health. †11.20 Bellbird. 11.35 Glass Conscious. 12.00 Ba-Bar. 2.00 p.m. Lake Myvatn. 2.30 Housecall. 4.25 The Adventures of Superman. 6.00 Scotland To-day. 6.30 Professor Balthazar. 10.30 The Melody Lingers On. 11.00 Angling To-day. 11.30 Late Call. 11.35 Upstairs, Downstairs.

SOUTHERN

10.05 a.m. Hammy Hamster's Adventures on the Riverbank. 10.15 Yoga for Health. 10.40 Galloping Gourmet. 11.05 Shirley's World. 11.35 Glass Conscious. 12.00 Southern News. 2.00 p.m. From a Bird's Eye View. 2.30 Houseparty. 6.00 Day By Day. 10.30 Afloat. 11.00 The Streets of San Francisco. 11.55 Southern News Extra. 12.05 a.m. Farm Progress.

TYNE TEES

9.30 a.m. It's Food For Thought. 9.40 Skippy. 10.05 Katie Stewart Cooks. 10.30 Ed Allen Time. 10.55 Manfred. 11.05 Pretenders. 2.00 p.m. Lake Myvatn. 2.30 North East News Headlines. 2.31 Galloping Gourmet. 4.25 The Osmonds. 6.00 To-day at Six. 6.35 Cartoon Time. 10.30 Access. 11.00 The Streets of San Francisco. 11.55 Late News Extra. 12.10 a.m. The Protectors. 12.40 Lectern.

ULSTER

11.10 a.m. Hammy Hamster's Adventures on the Riverbank. 11.20 Ed Allen Time. 11.45 Romper Room. †12.59 p.m. Ulster News Headlines. 2.00 Farmhouse Kitchen. 2.30 Women Only. †4.23 Ulster News Headlines. 6.00 UTV Reports. 6.15 Me and the Chimp. 10.30 Monday Night with the Rev. Ivor Lewis, Whiteabbey Presbyterian Church. 10.40 Monday Movie: "The Skull," starring Peter Cushing, Christopher Lee.

WESTWARD

10.15 a.m. Towards the Year 2000. 10.40 The Saint. 11.30 Address Unknown. 12.18 p.m. Gus Honeybun's Birthdays. 12.33 Westward News Headlines. 2.00 Let's Face It. 2.30 Women To-day. 6.00 Westward Diary. 6.20 Sports Desk. 6.35 A Date With Danton. 10.30 Westward Late News. 10.33 The Summer of '73. 10.55 Journey to the Unknown. 11.50 Faith for Life.

YORKSHIRE

9.40 a.m. Make A Wish. 10.05 Katie Stewart Cooks. 10.30 Ed Allen Time. 10.55 Manfred. 11.05 Pretenders. 11.50 Cartoon Time. 2.00 p.m. Lake Myvatn. 6.00 Calendar. 10.30 Emmerdale Farm. 11.25 The Streets of San Francisco. 12.20 a.m. Untamed World.

RADIO 1 247m

(S) Stereophonic Broadcast

Time checks, up-to-the-minute traffic reports, and News summaries at 5.00 a.m., 5.30, 6.00, 6.30 then every hour on the half-hour until 6.30, 7.00, 8.00, 9.00, 11.00, 12 midnight, 1.00 a.m., 2.00. Weather at 5.02 a.m., 5.32, 6.02, 6.32, 7.32, 8.32, 5.32 p.m., 6.32, 2.03 a.m.

5.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn. 12.00 Johnnie Walker including 12.30 p.m. Newsbeat: Ed Stewart and the Newsbeat team find the news. 2.00 David Hamilton. 5.00 Radio 1 Club with Dave Lee Travis from Bascliff Pavilion, Folkestone, Kent, including 5.30 Newsbeat. 7.00 As Radio 2 (9.02-10.00 The Big Band Sound, as VHF). 10.00 Sounds of the 70s: Bob Harris; (S) also on VHF. 12.00-2.02 a.m. As Radio 2.

RADIO 2 1,500m and VHF

Time checks, up-to-the-minute traffic reports, and News summaries at 5.00 a.m., 5.30, 6.00, 6.30 (VHF and 247m) 7.00, 7.30, 8.00 then every hour on the hour until 3.00 p.m., 4.00, 5.00, 5.30, 6.00, 6.30, 7.00, 8.00, 9.00, 10.00 (1,500m) 11.00, 12 midnight, 1.00 a.m., 2.00. Weather at 5.02 a.m., 5.32, 6.02, 6.32 (VHF and 247m) 7.02, 7.32, 8.02, 9.02, 12.15 p.m., 5.32, 6.15, 6.32, 2.03 a.m.

5.00 a.m. News Summary. 5.02 Tom Edwards (S) with The Early Show. 6.15 Pause for Thought. 7.02 Tony Brandon (S) introduces Lena Horne, this week's Radio 2 star, at 8.10. 8.27 Racing Bulletin. 8.45 Pause for Thought. 9.02-11.30 Pete Murray's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.30 p.m. Joe Henderson (S) and music in singalong style including 1.45 Sports Desk and 2.45 Sports Desk. 3.02-5.00 John Dunn (S) including 3.45 Sports Desk, 4.15 Waggoners' Walk, 4.45 Sports Desk. 5.02 Teddy Johnson (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 The Navy Lark. 7.30 Sports Desk. 7.32 The Song Stylists. 8.02 Humphrey Lyttleton with The Best of Jazz on records. 9.02 International Boxing: 1,500m (202m in Scotland) John Conteh v Vicente Rondon. 10.02 Late Night Extra 1,500m (202m in Scotland) with Barry Cryer including 10.15 Sports Desk. 12.00 Midnight Newsroom. 12.05 a.m. Night Ride (S). 2.00 News Summary.

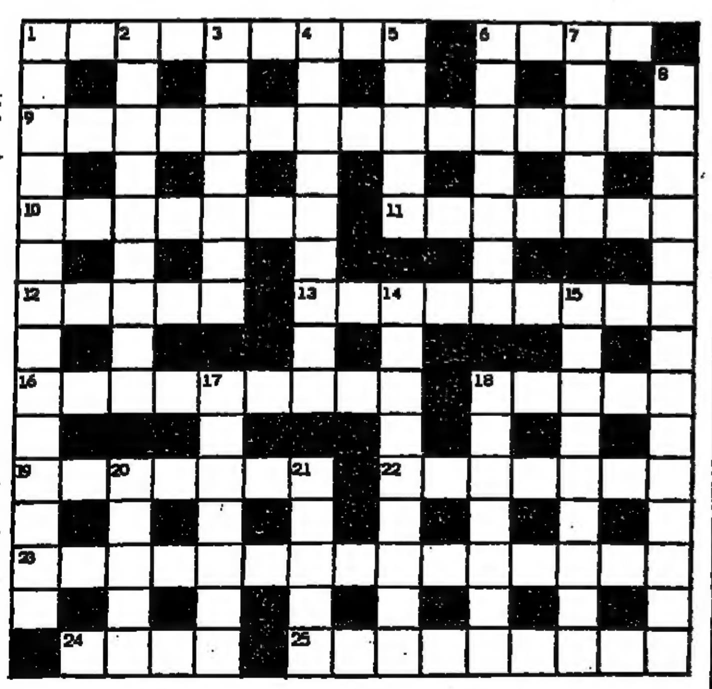
RADIO 3 464m, Stereo & VHF

7.00 a.m. News. 7.05 Overture: Verdi, Charpentier, Mendelssohn, Chabrier (S). 8.00 News. 8.05 Morning Concert: Arne, J. C. Bach, Telemann (S). 9.00 News. 9.05 This Week's Composer: Bizet (S). 9.50 Robert Aitken recital (flute). 10.15 BBC Midland Light Orchestra: Concert (S). 11.00 Piano Recital: Schubert, Scriabin, Chopin, Debussy (S). 12.10 p.m. City of Birmingham Symphony Orchestra: Concert, part 1: Elgar, Prokofiev (S). 1.00 News. 1.05 City of Birmingham Symphony Orchestra concert continued Berlioz (S). 2.00 Smetana String Quartet: Novak, Smetana (S). 3.05 Young Musicians at the 1972 Bratislava Festival (S). 4.20 Organ Music by Bach and Hindemith (S). 5.10 Bandstand (S). 5.45 Homeward Bound. 6.05 News (medium wave only). 6.10 Homeward Bound continued (medium wave only). 6.30-7.25 Study On 3 (medium wave only). 7.30 Proms Concert, part 1: Bartok, Haydn (S). 8.40 Cosmology Now. 9.00 Proms concert continued: Bartok, Haydn (S). 10.05 Lutoslawski at 60. 10.45 Janet Baker song recital: Schubert. David Lord (S). 11.40 Haydn: Quartet in D minor, Op 42. 11.55 News.

RADIO 4 434m, 330m, 285m and VHF

6.25 a.m. News. 6.27 Farming Week. 6.45 Prayer for the Day. 6.50-8.45 To-day: Magazine. 6.50 (medium wave only) Travel News, What's On and Keep Fit. 6.55 Weather, Programme news. 7.00 News and more of To-day including 7.25 Sports Desk. 7.35 To-day's Papers. 7.45 Thought for the Day. 7.50 Travel News (medium wave only). 7.55 Weather and programme news. 8.00 News and more of To-day including 8.25 Sports Desk and 8.35 To-day's Papers. 8.45 The Runaways. 9.00 News. 9.05 Start The Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Scrapbook for 1941. 12.00 News. 12.02 p.m. You and Yours. 12.27 Desert Island Discs. 12.55 Weather and programme news (medium wave only). 1.00 The World At One. 1.30 The Archers. 1.45 Woman's Hour. 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre. 4.35 Story Time. 5.00 PM Reports. 5.50 Stock Market Report (medium wave only). 5.55 Weather, programme news. 6.00 News. 6.15 Just A Minute. 6.45 The Archers. 7.00 News Desk. 7.30 Frank Muir Goes Into . . . The Home and investigates the subject with the help of Alfred Marks. 8.00 The Monday Play: "The Bridge of San Luis Rey." 9.15 Cecil Beaton describes his interest in photography and discusses his attitude to work. 9.29 Weather. 9.30 The World To-night. 10.15 A Book At Bedtime. 10.30 Kaleidoscope. 11.00 The Chain-Makers: five talks on the Black Country. 11.15 News. 11.31 Market Trends.

F.T. CROSSWORD PUZZLE No. 2,270



ACROSS

1 Dropped beyond control (3, 2, 4)
6 Take off—off after delayed start (4)
9 Base's vocal inflection may be laid ceremonially (10, 5)
10 Ask earnestly in written treatise (7)
11 Prohibition makes 'em go round bar (7)
12 Compassion about Eastern devoutness (5)
13 Noted return to a hill, it may produce explosive reaction (9)
16 South-east Asian republic—one's in India (9)
18 South-western branch forms a colony (5)
19 Unit in charge of heat (7)
22 Spent money and struck insensible (4, 3)
23 The imprudence of the myopic (4-11)
24 Looks at both ways (4)
25 Distributes or sends pies all over the place (9)

DOWN

1 Compensate before running off a lithographic process (6, 8)
2 Hope act will convey property (5-4)
3 Nervously restless and uneasy (7)
4 The heights of exhilaration (9)
5 A lazy fellow has done right to be admitted (5)
6 Waste collector creates a row about broken bust (7)
7 Look in for a story (5)
8 Peculiarly it's alarmed most playwrights (14)
14 Manually operated kitchen desiccators . . . (3-6)
15 . . . and the same again (3-6)
17 Retributive justice (7)
18 Cheat and win in redesigned sled (7)
20 Efface part of paper as evidence (5)
21 Imprisoned a long time in Civil Defence (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Racing

Come-back by Habat

by DARE WIGAN

HABAT, who was considered the best two-year-old colt to have raced in England this season until he was well beaten in the Prix Robert Papin at Maisons-Laffitte at the end of July, rehabilitated himself at Newbury on Saturday.

In the Mill Reef Stakes over 6 furlongs, Habat was opposed by Bay Express, an impressive winner at Goodwood and an unlucky loser to the Irish colt, St. Louisan, at York; Boldini, successful on his first appearance at Ascot, but disappointing in the Gimcrack Stakes; and Hector, an attractive half-brother, by Native Prince, to the top-class miler, Sallust.

Habat, who drifted ominously in the betting, was up with the leaders from the start and steadily drew clear from two furlongs out to win, unchallenged, by five lengths from Boldini, with the newcomer, Marennes Blue, 1½ lengths away third, just ahead of Bay Express. It was a thoroughly convincing performance.

Another grand afternoon's racing at Newbury was marred by an accident in the Peter Hastings Stakes when Draw the Line, who was galloping strongly in the lead, slipped rounding the bend into the straight and brought down Hardy Scot. Draw the Line was so badly injured that he had to be destroyed. Philip Waldron, his jockey, broke a wrist, and Tony Murray, the rider of Hardy Scot, was badly shaken.

Although Willie Carson could have been at Windsor to-day, where his mounts would have included the recent winner, Where's Alice, he has elected to go to Nottingham, and I expect his trip to pay off with at least two winners.

His best chance may be in Division II of the Delirium Maiden Plate (5.0) in which he partners the Duke of Devonshire's *Pindos*, and I shall be surprised if this chesnut colt by Mountain Call does not give his backers a good run for their money. After finishing unplaced in a large field of maidens on the July course at Newmarket early in August, *Pindos* returned there later in the month and ran on strongly in the closing stages of a similar race when fourth behind Major Dilke.

Earlier in the afternoon Carson rides *Argenton* in the Sterope Handicap (4.0) and I expect this half-brother to Favoletta to win his fourth consecutive race. Harry Wragg's colt achieved all his victories last month—at Pontefract, Nottingham and Newmarket—and was ridden by Carson at Nottingham, where he comfortably defeated Grasp Saint, from whom he was receiving 20lb. On his most recent appearance he showed that his improvement was maintained when conceding 13lb successfully to King Caspar at Newmarket.

Some useful two-year-olds meet in the Tulyar Nursery Handicap (3.0) and it is with more hope than confidence that I suggest *Floating Penny* as the possible winner. Although he finished a well-beaten third behind Only Love at Wolverhampton last month, he had earlier scored impressively at Bath and is well treated with 8 stone.

At Windsor, Lester Piggott has been booked to ride *Ragstone*, and the combination will be at short odds for the Bracknell Stakes (3.0). Ragstone, a bay colt by Ragusa, ran on gamely when defeating William Pitt over 1½ miles at Newbury recently, and the third horse, Admetus, has since scored easily at Ripon. Ragstone is a confident selection.

The Queen, who had her 14th winner of the season when Highclere won at Newbury on Friday, is represented by *Cross Purpose* and Dismantle in the Potential Stayers' Stakes (4.30). Cross Purpose won there last month and is probably fast enough to win again.

Selections:

NOTTINGHAM
2.30—Trotty
3.00—Floating Penny
4.00—Argentan*
5.00—Pindos**

WINDSOR
2.30—Bobjohn
3.00—Ragstone***
4.00—Cross Purpose
5.00—Where's Alice

Cable TV [...] suggests c[...] on monopo[...]

A LICENSING system [...] television" could [...] safeguards against [...] according to a [...] Sir John Eden, Minister [...] and Telecommunications. The memorandum [...] Cable Television Associ[ation...] the safeguards could be [...] the licensing structure [...] Television Council, [...] be set up as soon as [...]

The Council itself [...] operate cable systems [...] programmes. It would [...] a code of practice [...] standards of programmes [...] and advertising.

It should be free [...] ways of raising revenue [...] advertising, added [...]

Building [industry] to increase [...] training gr[ants...]

Financial Times Reporter

THE CONSTRUCTION [Industry] Training Board is to increase its grants to [...] for trainees in [...] crafts. The rises [...] £190 a year per trainee [...]

The aim is to [...] employers to recruit [...] trained and make [...] of off-the-job courses.

Other new moves [...] financial provision for [...] extra places on [...] integrated and four [...] training courses, making [...] of about 1,100 places [...] compared with [...] 1972-73.

Wembley Pool

The Rolling Stones

by ANTONY THORNCROFT

With the hindsight of ten years it all seems so obvious now. The Stones were the first real rock and roll band, the first to play crude, anarchic, snubbing music and to play it well. And Mick Jagger was the perfect voice, tough, harsh and leering, and the perfect body, grotesquely beautiful and blatantly sexual. They were the original and the best and they still are. So the week-end concerts at Wembley, the first in their home town for over two years, were both magnificent—and irritatingly predictable.

From the moment that Jagger bounced on to the stage, posturing and gesturing in that hand playing, chicken-strutting, way which has been imitated to death by every crude comedian in the land, the years rolled away. At first it seemed like parody but suddenly you realised this was the real thing, the over-exposed original. As the rest of the Stones, with the exception of Keith Richard, melted into the background, staring at their toe tips, as they belted out those perfect harmonies and disharmonies, Jagger took off on his fantasy.

It has never been improved on. He may not be so outrageously camp as Bowie or as commonly erotic as Gary Glitter but no one looks so at home on the stage as Mick Jagger. He lives being rock and roll singer of the world, and brings a theatrical intensity to even the most banal song which would have won the approval of Sir Henry Irving. He still shakes his 30-year-old sequined bottom at the audience, still leers and poses and fixes the eyes.

The only difference is that the earthy, insistently rhythmic songs are now presented with a sophistication that only money can buy. The act is bolstered with bits of business, Jagger lying on stage where he is immersed in smoke from the wings, enormous balloons floated into the audience, smoke bombs and reflecting mirrors, which enable Jagger to watch his performance and then light up the audience, and finally glitter and water to be sprinkled and poured on the first few rows. More to the point the cash ensures a sound system and a smoothness in presentation which has only been equalled by Pink Floyd. The music may still be as powerful as garlic sausage but it is beautifully packaged.

Perhaps it is the packaging which forms a barrier between the Stones and the audience, for while the reception was warm at first there was little desire among the fans to get up and dance. For the top rock and roll band the physical response was strangely muted. It wasn't until "Honky Tonk Woman" that the audience rose up to jig and wave. Until then they had been impressed rather than inspired, dazed by the solid intensity of the music.

So the Stones are the victims of their genius. This was probably the best pop concert of the year but everyone expected it to be and it was mainly a question of having your prejudices confirmed, a pleasant experience but not as earth shattering as discovering a new truth. But if there was no novelty and little inspiration from the Stones there was the satisfaction of hearing the most physical rock and roll (although, shamefully, no "Satisfaction," the song that put the Stones beyond the pale of respectability).

The songs from the new album sounded fine, particularly "Dancing to Mr. D," and the other Stones, to name two, lead guitarist Mick Taylor and drummer Charlie Watts, deserve their fat pay packets. It is too easy to take the Stones for granted; they must continue to play in public to ram home the power of their music. For their reputation for evil is a thing of the past: all they have to offer now is exciting sounds.

The Entertainment Guide is on Page 44

Mick Jagger

Usher Hall, Edinburgh

Orchestre de Paris

by GILLIAN WIDDICOMBE

Last year it was the Berlin Philharmonic, the year before Israel and Chicago; Edinburgh's visiting book is impressively signed by foreign orchestras. So when the Orchestre were invited to give the two final concerts this year, they obviously wanted to do something special, particularly after the discreet insult dealt by *Fanfare for Europe* last January—all the way to London to accompany *The Creation*. To Edinburgh, therefore, an enormous orchestra was brought, with *The Rite of Spring*, the *Symphonie fantastique*, and the first British performance of a 20-minute piece for large orchestra by Gilbert Amy.

And Sir Georg Solti, of course, as he is Director of the Orchestre de Paris. It is an interesting relationship, with conflict so clear one can almost smell it. The Paris strings obviously include some rough and sloppy players, and the peculiar tonal character which dominates the wind sections would drive a bland-toothed conductor crazy. But on Friday Solti drove this volatile ensemble through a stunning performance of the *Fantastique*. He did not risk the first movement repeat, as in London last February with LPO; but lashed each movement home, with the finale as fast as possible. Some of the woodwinds phrasing sounded heavy, but the variety of string tone was remarkable, ranging from wistful cantabile to fierce fortissimo.

The Rite of Spring was less successful, suggesting that by Saturday night the available adrenalin had been exhausted. The performance lacked rythmic bite, had a strangely damp, worried feeling. But this programme was pleasant enough as a whole, beginning with Roussel's bright, light Third Symphony, and following with Ravel's *Shéhérazade*, in which Régine Créspin was seductively accompanied.

Amy's new piece, *d'un espace déployé*, proved a large ultra-contemporary canvas, sparsely detailed and thinly designed. No doubt many clever things are contained within it, particularly in the relationship between the main orchestral ensemble and the separate concertino group, which Amy himself directed. But on first hearing one seeks for more interesting textures to justify the use of such a huge ensemble.

Shaw

Geordie's March

by MICHAEL COVENEY

The National Youth Theatre continue their season at the Shaw with a new play from Peter Terson which is, first of all, a complete vindication (if any were still needed) of Michael Croft's annual seasons. Regimented foot-stomping is banished in favour of a production of clear, naturalistic quality which contains within it performances of real accomplishment. The March is mooted by way of a response to the death of an apprentice in a North-Eastern shipyard and the emphasis laid on it by George, the emerging leader of an apprentice movement, as evidence of the shipowners' callous abuse of juvenile labour. The suggestion of a march on London has, too, an especial appeal to the pride of lads who still feed off the triumph of Sunderland at Wembley and have lived all their lives with the heroism of the Jarrow marchers ringing in their ears.

Centre-half David Watson may be their God, but on the journey south their behaviour towards each other and their views on the purpose of the ambulatory gesture oust soccer from the conversation. An opportunistic local journalist travels with them, continually insisting on the importance of building up a pungent publicity campaign; they are expected in Trafalgar Square by TV cameras and showbiz celebrities. As the play progresses, the split between the ideological instigator, George, and the others deepens as the whole exercise is soon swamped in well-intentioned roistering: the journalist (who rejoices in the name of Billy Margin) sets up a barney with some pleasant squatters faced with ejection and a streak of "brown ale" mania is tapped in the marchers, with the exceptions of George and one other.

These two remain unswayed from the initial, angry intention of the expedition. In a key speech, Geoff Armstrong as George's ally, Garry, delivers with riveting conviction a sneering condemnation of his companions' lapse. There are other important objective assessors of the march apart from Garry and the journalist: George's old school pal, Ned, a cool drop-out who preferred the dole to the shipyard, weathers the initial, understandable scorn of the others to stay with them and provide a critical element in the development; he mediates with humanity and good sense when two of the lads are discovered to be in thieving collusion. And, at the end, he stays by George who has yielded his leadership rather than participate in a triumphal, beery arrival.

George remains bloody but unbowed: "They'll see their folly, I'll be a better leader." The performance of George Irving in this central part is quite extraordinary. He plays it with a totally unforced assurance, asserting both his ability as a natural leader and a personality of considerable political maturity. Although the capitulation of the body of the marchers (there are a dozen only on stage) to the demands of the media is criticised by George, Mr. Terson has so entertainingly characterised them that their frailty in so doing is given a correctly humane reverberation. The director, Barrie Rutter (himself a former star of the NYT) has directed his highly talented and engaging cast with a wonderful feeling for the music of Terson's writing. There are, also, many good jokes in an evening which is serious, exhilarating and thoroughly entertaining.

BBC appointments

Andrew Osborn, head of BBC Television Drama series department, will be leaving the corporation next June and will be succeeded in the post by Ronald Marsh, at present Head of Drama Serials. William Slater, a drama series producer, will be the new Head of Serials.

Wigmore Hall

American contemporary

by MAX LOPPERT

On Friday at the Wigmore Hall the Contemporary Chamber Ensemble of New York made their British debut. They come largely unheralded, but not unknown: the release, in the past year or two, of several fine records—most recently a superb performance of *Pierrot Lunaire*—has provided a foretaste of their talents. And now the concert (preceded by two days of recording, for the BBC, programmes scheduled to be broadcast soon)—and an exciting occasion it proved to be. Exciting because of the music played—five pieces by little-known (here, at any rate) American and other composers, all of them at the very least worth hearing. Exciting, too, because of the revelation of a band of virtuosi whose corporate artistry, fearless liveliness and sense of adventure would be hard to equal anywhere in the world.

Frivolous, perhaps, to go on about the playing when the music waits to be discussed; unnecessary, possibly, when London has its own Sinfonietta, its Fires, its Nash Ensemble. What distinguishes these American players is the feeling that they have gone beyond simply tussling with the various formidable difficulties of their chosen pieces—and every work on Friday presented these in generous measure. One sensed that each player is a craftsman who perceives, acutely, the beauty inherent in his instrument, the clean, long, radiant lines it can draw, the brilliant energy it can communicate—not just the gritty sound of burdens overcome that contemporary music can force out of a less surely handled instrument. I don't know whether it is group conductor Arthur Weisberg who is the inspirant poet; or whether the band inspires itself to poetry. But to describe such playing as we heard, no other word but poetry will do.

The energy of the group registered most fully in the last piece of the concert—Jacob Druckman's *Incenters*. In the absence of properly informative programme notes (a shameful lapse on players' or promoters' parts), and with scores unavailable, I took refuge in Webster's Dictionary—to find that *incinere*, L., to set the tune, gives *incentus*. Is this what the composer had in mind? Certainly the three brass soloists—trumpet, trombone, horn—set a dizzy pace of brilliant, scatty melodic utterance that has the other seven players scampering to follow them. The "tune" set may be a transformed, brazen jazz "break," remembered from a big band as the play with mutes, the wild leaping, urgent trumpet line suggests. Whatever the nature of the "incenters" and their incentive, the composer has used them to set up musical tensions of breathless exhilaration.

Other, quite different facets of ensemble playing were to be noted in the slow-moving, deep-timbred drones and exotic arabesques of Tona Scherchen's *Tjao-houen*, a delicately woven web of carefully calculated sounds; and in the long melodic line of Joseph Schwantner's *In Aeturnum*, sustained by a cellist (Fred Sherry) against a fascinating range of percussion strokes. I found *Faces*, by Hans Ulrich Lehmann, for all the knotty skill of its exercise in clusters of tone and timbre, rather arid. The biggest single work played, the *Kaddish-Requiem* of Richard Wernick, could equally be attacked, for the pretentiousness with which it joins snippets from the Prayer for the Dead, in various guises and disguises. It did reveal, nonetheless, a composer of a quite touchingly "personal" sensibility; and, furthermore, it gave that mezzo non-pareil, Jan de Gaetani, the opportunity—all too brief—to display some of her most eloquent, steady, perfectly placed tones.

Albert Hall

De amore

by PAUL GRIFFITHS

Friday's was another of those all-English evenings at the Proms, when a popular favourite assures a full Albert Hall for a newly commissioned piece. Although an audience that has been drawn to marvel at *The Planets* may be expected to turn a blind eye to any new comets entering their skies, Elisabeth Lutyens' *De amore* appeared to be much enjoyed, and indeed it is an unpretentiously enjoyable piece. This was its first performance, but the work was written in 1957.

A cantata for soprano and tenor soloists, chorus and moderate orchestra, the piece suggests that Lutyens knew Webern's works in the same genre, and that she was up to Stravinsky's (then) latest tricks. But more important are the distinctive features of *De amore*: primarily its simple and direct expression of amorous happiness and delight in nature—of the "pleasaunce of love," as the subtitle has it, quoting from the Chaucer text which the cantata sets. The newness of technique (it might be difficult to be so naïve in tonal music), the unquestioning ease with which it is handled, and the lack of hesitation in employing straightforward effects all contribute to producing music that has moments of Monteverdian freshness.

The nine short numbers include less unclouded sections too: there is a lover's complaint for the tenor, and a passage in which both soloists, asynchronously duetting, remind each other that love passes "sone as floures fayre." Yet even here, the clearness of Lutyens' textures and the coolness of the vocal lines suggest that we do not have to worry too much. And the more striking numbers are those in which love is positively extolled: the tenor's joyful spring fancies, for instance, and the final "apotheosis" in which love is praised as the instrument of order.

The use of Chaucer's original text causes problems in understanding, of course: Lutyens notes that she had no difficulty in comprehending the verse, but it is a different question when the words are sung, and still more so when they are pronounced supposedly authentically. (The pronunciation is also responsible for another problem of a different order: "daysies" looks all right, but "dyzis," as the word emerges, has a different effect.) However, in performance, the old text was far from giving the work an archaic aspect, but rather it added to its unsullied quality in a way that present-day speech would not have done.

As in Lutyens' opera *Time Off?* the chorus is as important in this work as are the principals. There are two long passages for unaccompanied chorus (balancing each other in the work's broadly symmetrical form); one of these sections has the solo soprano very simply but effectively vocalising as a nightingale.

The London Choral Society sang their music as though they enjoyed it, and the soloists—Jane Manning and Philip Langridge—were equally good in projecting the vitality of the piece. There was some nicely phrased and coloured playing from the orchestra, and the conductor was Leon Lovett, adding another to his tally of Lutyens successes.

Gardner Centre, Brighton

The Birthday Party

by B. A. YOUNG

I only caught Derek Goldsby's production of *The Birthday Party* at Brighton in its last days, but it is good enough to deserve placing on record.

All too often the attitude taken towards this play, Pinter's first full-length piece, is one of mystification. What does it signify, who are the mysterious Goldberg and McCann, who come out of nowhere to humiliate and kidnap the harmless Stanley? This production takes a view analogous to Pinter's quoted exegesis of *The Caretaker*, that it's a play about two brothers with a house in Ealing and a tramp from Sidcup. *The Birthday Party* is a play about two gangsters and an unemployed pianist in a run-down seaside hotel.

Of course one is left asking what does it mean? But during the action one feels simply that one is watching a news item in the course of happening. The narrative is all, amusing, exciting, pathetic by turns. It is played with vivid realism by a very good cast. Hywel Bennett makes Stanley dim but not cretinous; he actually establishes temporary superiority for a moment over his persecutors (Frank Gatliff and Oliver MacGreevy) until their barrage of interrogation reduces him to impotence.

Constance Chapman and Mervyn Johns never mock the simplicity of Meg and Petey, the hotel proprietors, and Angela Douglas displays a mixture of sexuality and respectability in the girl Lulu—a mixture that comes to more complete fruition in *The Homecoming*.

Tenth season of Redcliffe Concerts of British music

Thirteen new works have been specially commissioned for the tenth anniversary season of Redcliffe Concerts which opens on the South Bank on September 17. They cover music in a wide variety of genres and media — ranging from such works as John Gardner's *Antimasque* with words by W. H. Auden — acted danced and sung as a contemporary comment on Locke's *Cupid and Death* (to be performed during the same programme) to a Sinfonia Concertante by Andrej Panufnick and a concerto for cello and orchestra by Francis Routh.

In the opening concert at the Elizabeth Hall on September 17 Wilfred Josephs' Sonata for solo oboe has been composed specially for soloist Graham Salter. The programme also premiers Denis ApIvor's *Exotics Theatre* — a work for instrumental ensemble and one of a series inspired by the painter Paul Klee. Constant Lambert's piano concerto and the Sinfonia No. 1 in D by Samuel Wesley will also be heard at this opening concert.

Janos Furst conducts the London Mozart Players and Peter Wallfisch will be soloist in the Lambert piano concerto.

SPORT: CRICKET

Selectors plagued by a lack of class

By TREVOR BAILEY

I CANNOT but feel sympathy for our selectors when sitting down to choose a balanced party to tour the Caribbean this winter, because there is such an embarrassing shortage of all-rounders, batsmen and slow bowlers either of proven international stature or outstanding promise.

In the past, the problem was often not so much who to take, but which good players had to be left behind. To-day, this glut of riches can only be said to apply to the wicket-keeping and seam bowling sections.

Obvious choice

Knott will obviously be the first choice keeper. Although Taylor is his closest rival, a case could be made for preferring Richard, who bats well enough to challenge for a place on this score alone, or the up-and-coming Bairstow.

Presumably four pace bowlers will be included in the 16. It would be possible to reduce this number to three, if Greig, the only obvious all-rounder, had bowled with more conviction this summer. He seldom measured up to the requirements of a third seamer at international level.

There are no shortages of candidates for these four places. In addition to the five who have appeared for England this season — Arnold, Snow, still the most menacing, Old, Willis and Hendrick — Cottam, Lee, the two Levers and Jackman could be relied upon to turn in a respectable performance.

Ideally, one member of this pace-quartet should be an all-rounder, as otherwise England will be left with an over-long tail whenever three are included. This proved a distinct handicap in the one-day internationals, and could be a disaster in the coming Tests, particularly as only one, possibly two, of the specialist batsmen can be expected with confidence to make over 400 runs in the series.

It has not gone unnoticed that Jackman has been producing some useful innings of late and although he comes into the category of a bowler who can bat, rather than an all-rounder, it could make him a surprise choice.

What England need is a batsman who can bowl well enough to take some of the responsibility off Greig—a d'Oliveira or a Dexter, or someone like Clive Lloyd.

The West Indian pitches have become slower and more effective to spin, especially in Trinidad. It is significant that three slow bowlers were included in one Test against Australia last winter, which suggests England should have three in their party. An ideal trio could consist of a left-armer, an off-break bowler and a wrist spinner, one of whom should be an all-rounder, capable of filling the considerable gap in the batting caused by the exclusion of Illingworth.

Underwood is a certainty and, as there are so many outstanding left-handed batsmen in the West Indies line-up, I would favour two off-spinners, rather than another left-armer; unless yet another gamble were to be taken with Hobbs who, alas, is the only serious English leg-spinner playing county cricket.

Assuming that the selectors pick four seamers, three spinners, two wicket-keepers and all-rounder Greig, six batting places remain, of which five are certainties: Boycott, one of the best batsmen in the world with the figures to prove it, Fletcher, who has finally established himself, Amiss, although troubled by the bouncer scored heavily, the promising Hayes, and captain Denness.

The other place, or possibly two, if the number of bowlers is reduced, have no clear-cut contenders. I would like to see one player under 25 and a fine fielder. One of the differences between the West Indies and England has been in the field, where they made us look positively ponderous.

Although our selectors have an unenviable job, they have not proved consistent in their thinking. If Denness was their first choice as captain after Illingworth, why was he never included in any of the six Tests this summer? It does not add up.

One-day internationals are totally unsuited as trials for a tour, as the best limited-over team is unlikely to make the best Test side.

In the one-day match the first requisite for a bowler is accuracy and to make sure that the batsmen score only by taking chances. It is not enough to be accurate in a Test match.

It is also necessary to be able to produce the really good ball on the perfect pitch, because the batting side has to be dismissed, not merely kept quiet.

Similarly, a flashing 50 can be a decisive factor in a 55-over contest, but centuries win Tests.

As individuals, our selectors are all honest, conscientious and very pleasant, but as a body they do appear to be a shade short of flair, inspiration and, apart from their chairman, Alec Bedser, even shorter of practical Test match experience.

HORSE TRIALS

Gruelling cross-country ends Britain's Championship hopes

KIEV, Sept. 9.

WEST GERMANY won the European Three-Day Event Equestrian Championships here to-day, thereby ending Britain's six-year supremacy in this branch of horsemanship.

Princess Anne, the reigning European individual champion, lost her title to Alexander Yevdokimov of the Soviet Union. The Princess was forced to retire after a bad fall at the second obstacle on the gruelling cross-country course on Saturday, breaking her collar-bone in the process.

At the end of the three phases of dressage, speed and endurance, and show-jumping, West Germany gained the team championship with a total of 351.85 penalty points. The Soviet Union was second, with 508.8, and Britain came third, with 536.

Yevdokimov, riding Jaeger, gained the individual title with a score of 100 penalty points. Second was H. Bloecker, of West Germany, riding Albrant, also with 100 penalty points overall, but a slightly worse speed and endurance result than Yevdokimov. Third was Horst Karsten, of West Germany, on Sious, with 109.45.

Fourth place

Although Britain lost the team event, the British riders did well in the individual event, pushing the leaders closely. Olympic Gold Medallist Richard Meade, on Wayfarer II, came fourth, with 110 penalty points, and Marjorie Comerford on The Ghillie fifth with 111.20, having had a fence down in the show-jumping.

Lucinda Prior-Palmer, with Be Fair, was 12th, with 174.40 penalty points; Rosalyn Jones on Fairwell 14th, with 214.40; and Janet Hodgson on Larkspur 16th, with 251.60.

Princess Anne's chances of retaining her individual Championship title vanished during the great cross-country phase on Saturday, when she had to withdraw after falling badly at the second fence—stout poles over a wide gully, with a treacherous approach down a steep hill.

Her horse Goodwill—less experienced than her other mount, Doublet, on which she won the title in 1971—appeared to be clearing the jump when he dropped a hind leg and caught it on the obstacle. He pitched over, throwing Princess Anne on to her head and shoulder.

The fence was later described by the Duke of Edinburgh, watching the Championships in his capacity as President of the International Equestrian Federation, as "a wicked jump."

It was the cross-country course of 29 obstacles over hilly terrain, with the ground baked rock-hard by the sun, that ended Britain's long series of Championship victories. The course had given rise to misgivings before Saturday, because of the hard going.

Britain's chances had already been reduced as a result of the dressage performances on Thursday and Friday. Thus, the West Germans went into the cross-country in the lead, followed closely by the British, with the Soviet Union third. It had been hoped that Britain's long experience of cross-country riding would pull them back into the lead, but one by one those hopes collapsed.

Apart from Princess Anne's fall and her withdrawal, Baccarat, ridden by Deborah West, refused three times at the same second jump, eliminating her from the competition.

Janet Hodgson, riding Larkspur, also fell at the second fence, losing some teeth and badly cutting her face, but she went on, only to have a second fall later at the 21st fence. Nonetheless, with the needs of team paramount in her mind, she went on to complete the course to loud applause from the crowd.

Lucinda Prior-Palmer, with Be Fair, cleared the by now infamous second fence, but fell at the fifth, a log pile in the woodland section. She also finished the course. Richard Meade survived the danger fence, and finished the course strongly in a fast time, as did Marjorie Comerford with The Ghillie. Rosalyn Jones on Fairwell also took a fall at the second fence, but landed on her feet, remounted, and came through otherwise unharmed.

The tally for the cross-country course was grim. No less than nine riders fell at the second obstacle, which also accounted for 14 eliminations from the competition, and a cumulative total of 500 penalty points. Three of the Swedish riders were stopped at the second fence, and the fourth did not even start the cross-country.

The leading individual placings were: 1, A. Yevdokimov (Soviet Union) on Jaeger, 100.00 penalty points; 2, H. Bloecker (West Germany) on Albrant, 100.00; 3, H. Karsten (West Germany) on Sioux, 109.45; 4, R. Meade (Britain) on Wayfarer, 110.00; 5, M. Comerford (Britain) on The Ghillie, 111.20; 6, M. Plewa (West Germany) on Virginia, 128.80; 7, G. Khayainen (Soviet Union) on Gudok, 132.80; 8, A. Kublak (Poland) on Sopran, 137.20; 9, K. Mergler (West Germany) on Vaibel, 142.40; and 10, V. Soroka (Soviet Union) on Obzor, 146.80.

The other British placings were: 12, L. Prior-Palmer on Be Fair, 174.40; 14, R. Jones on Farewell, 214.40; and 16, J. Hodgson on Larkspur, 251.60.

Reuter.

YACHTING

Collision averted

BY ALEC BEILBY

TWO YEARS of planning, a year of building, and an estimated £100,000 of the yacht sponsor's (Jack Hayward) money almost came to a sudden and dramatic end at the start of the Whitbread Round-the-World race off Portsmouth on Saturday. Only the cool-headedness and experience of Chay Blyth prevented a serious collision between his yacht, Great Britain II, and the French yacht, Vendredi 13, just after the starting gun had roared from Southsea Castle.

Though not competing in the race, Vendredi 13 was hanging on the starting line, her 132 feet of towering hull blocking the wind and view ahead for the crews aboard Great Britain II and her main rival, Pen Duick VI, as they broke from the starting line amid a vast armada of spectator craft.

Vendredi 13, variously described as a sensation or the largest white elephant of modern yachting, was rapidly being approached by both yachts though Eric Tabarly, aboard Pen Duick VI, had more room than the paratrooper crew aboard Great Britain II. With Chay calmly directing his yacht's course from the foredeck he passed the French yacht with inches to spare.

The Frenchmen aboard the slow manoeuvring Vendredi 13 could do little. By ordering his helmsman to slew the yacht hard into the wind and virtually stop, Chay avoided a collision that would have certainly led to extensive damage to both craft and the almost certain retirement of the British yacht.

Vendredi 13, built for last year's single-handed Transatlantic race, where she finished second, is too large to qualify for the Whitbread event or any other ocean race sailed under the International Offshore rule but she is expected to sail with the fleet to South Africa.

In spite of these moments of drama and tension, Great Britain II led the way out of the eastern Solent three minutes ahead of Pen Duick and a little further ahead of Leslie Williams' Burton Cutter. The latter avoided much of the crush at the start but, in turn, had another near escape from collision with a large private motor yacht some 20 minutes earlier.

Once clear of the confines of the Solent and with the spectator fleet heading home, the leaders hoisted vast spinnakers as they rounded the Isle of Wight and headed down-Channel in the moderate easterly winds, Pen Duick catching and passing Great Britain as they passed the Dorset coast and picked up the first of the west-going tides.

Last night, the leaders were approaching the Isle of Ushant off the N.W. coast of France. Now comes the business of settling down to seven or eight weeks of ocean racing on the first leg of the course to Cape Town.

Stewart wins Formula I car championship

MONZA, Sept. 9.

JACKIE STEWART, of Britain, clinched the world championship for Formula One cars here to-day by coming fourth in the Italian Grand Prix which was won by Ronnie Peterson, of Sweden.

Driving from the No. 1 grid position, Peterson (John Player Lotus) led from start to finish ahead of Emerson Fittipaldi (JP Lotus) of Brazil. Peter Revson (McLaren Ford) who was forced to make a pit stop of over a minute in the ninth lap and had to re-enter the race in the 17th position.

The Scottish driver, who won the World Championships in 1969 and 1971, set lap record after lap record, gradually moving back into the pack.

UPI

Businessman's Diary

Birds in north London

THERE are not all that many exhibitions that have been held 30 times but one of them is the national show devoted to cage and aviary birds.

The next such event is to be held at Alexandra Palace, London, from November 30-December 2 and in the trade section visitors will be able to see and buy all types of birds and the feeds and accessories to keep them in the style to which domesticity has accustomed them. The packeted seed market in the U.K. is worth some £4m., with a tonnage of some 15,000 a year and the figures for loose seed are similar. And the sales of budgerigars annually are around £3.3m. It is against this background that the 30 trade stands will be doing business.

Competitions are major factors in the show and these include the Daily Mirror challenge trophy for the most talented talking bird.

Justinian is on holiday

Footwear at Olympia

THE International Footwear Fair which opens on Thursday will have the merchandise of 182 companies on display. To be held at Olympia, London, until September 17, the event will be opened by Mr. Tom Boardman, Minister for Industry.

Foreign representation is from 12 countries and the biggest contingents are from France, Greece and Italy. The show is sponsored by various associations in the industry and covers new designs in men's, women's and children's footwear.

It is a trade-only event and one feature is the daily fashion parade held in the national hall.

Caravans in Amsterdam

THIS year's international caravan show in the RAI building in Amsterdam is to be held from December 13-19. The organisers report that the decision has been taken following the success of an experimental show last December which attracted over 60,000 visitors. Future international caravan shows in Amsterdam will also be held in December.

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Intnl. Do-It-Yourself Exhibition (cl. Sept. 15)	Olympia
Current	Building Exhibition (cl. Sept. 12)	Wavertree, Liverpool
Current	Intnl. Watch and Jewellery Fair (cl. Sept. 13)	Earls Court
To-day	Intnl. Reclamation & Disposal Exbn. (cl. Sept. 15)	Olympia
Sept. 11—13	London Floor Covering Association Exhibition	Alexandra Palace
Sept. 11—13	Computer Peripheral Exhibition	Metropole, Brighton
Sept. 11—22	Chelsea Antiques Fair	Old Town Hall, Chelsea
Sept. 13—17	London International Footwear Fair	Olympia
Sept. 17—21	Assembly and Fastener Exhibition	Earls Court
Sept. 17—21	Labware Exhibition	Bloomsbury Centre, W.C.1
Sept. 18—22	Wood Technik Intnl. '73	Earls Court
Sept. 25—28	Intnl. Filtration and Separation Exhibition	Olympia
Sept. 25—28	Dust Control and Air Cleaning Exhibition	Olympia
Oct. 2—4	Menswear Exhibition and Convention	Exhibition Centre, Harrogate
Oct. 2—11	Business Efficiency Exhibition	Olympia
Oct. 3—5	Midlands Ind. and Commercial Exhibition	Grand Hotel, Birmingham
Oct. 3—20	Modern Homes Exhibition	Kelvin Hall, Glasgow
Oct. 8—12	Screen Printing and P.O.S. Exhibition	Olympia
Oct. 9—11	Housing and Town Planning Exhibition	Spa, Scarborough
Oct. 15—17	Homes Overseas Exhibition	Midland Hotel, Manchester
Oct. 17—20	Antiques Fair	Cutlers Hall, Sheffield
Oct. 17—27	International Motor Show	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	*International Fair (c. Sept. 20)*	Izmir, Turkey
Current	International Home Furnishing Show (cl. Sept. 12)	Budapest
Current	International Autumn Fair (cl. Sept. 16)	Zagreb, Yugoslavia
Current	European Menswear Exhibition (cl. Sept. 11)	Paris
Current	International Trade Fair (cl. Sept. 23)	Ghent
Current	International Commercial Fair (cl. Sept. 23)	Liege
Current	International Autumn Fair (cl. Sept. 14)	Utrecht
Current	International Energy Exhibition (cl. Sept. 16)	Brussels
Sept. 11—15	International Knitting Machinery Exhibition	Basle
Sept. 13—23	International Motor Show	Frankfurt
Sept. 15—18	Children's Fashion Exhibition	Paris
Sept. 18—27	International Machine Tool Exhibition	Hanover
Sept. 19—27	Welding and Cutting Exhibition	Essen
Sept. 19—28	Intnl. Data Processing Comm. and Office Org. Exbn.	Paris
Sept. 21—23	Ready Made Garments Fair	Bombay
Sept. 22—27	Intnl. Exbn. of Fine Foods and Provisions	Cologne
Sept. 22—27	International Furniture Fair	Milan
Sept. 23—30	International Consumer Goods Fair	Poznan
Sept. 28—Oct. 3	Videocassette Conference and Exhibition	Cannes
Oct. 1—5	Food Processing, Packaging and Distribution	Johannesburg
Oct. 1—7	Electronics Exhibition	Osaka, Japan
Oct. 3—6	Factory Safety and Hygiene Exhibition	Dusseldorf
Oct. 3—7	Storage, Handling, Distribution Exhibition	Padua, Italy
Oct. 4—14	Motor, Cycle and Sport Exhibition	Paris
Oct. 5—11	International Aerospace Show	Iruma, Japan
Oct. 8—13	British Marine Equipment Exhibition	Tokyo
Oct. 8—14	Food Processing Machinery Exhibition	Milan
Oct. 9—11	Hardware and Household Goods Exhibition	Dublin
Oct. 11—22	Hotel Equipment Exhibition	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
To-day	Honeywell: Project Management (cl. Sept. 14)	Hammersmith Road, W.6
To-day	Ind. Assets & Res.: Personnel Testing (cl. Sept. 14)	57, Marylebone High St., W.1
Sept. 11—12	Marketing Improvements: Effective Sales Office	Portman Hotel, W.1
Sept. 11—12	Fin. Times and BOAC: Doing Business with Japan	Royal Lancaster Hotel, W.2
Sept. 13	James Morrell: U.K. Economy and Stock Market '74	Carlton Tower Hotel, S.W.1
Sept. 12—15	Bradford University: Management Information	Bradford University
Sept. 13—14	Fulmer Institute: Research Planning	Fulmer Res. Inst., Slough
Sept. 17—21	Glacier Institute: Learning to Manage	Ruislip
Sept. 18—20	Financial Times and BOAC: World Energy Supplies	Grosvenor House, W.1
Sept. 24—27	HTS Management: Occupational Testing	High Wycombe
Sept. 25—26	Financial Times: Agreements between Companies in the EEC	Hilton Hotel, W.1
Sept. 25—27	Urwick Management: Finance in Construction	Slough, Bucks.
Sept. 27	Management Games Seminar	Coburg Hotel, W.2
Oct. 1—2	Contractors' Plant Association: Plant Hire	Grosvenor House, W.1
Oct. 2—3	Assoc. Business Programmes: Marketing Seminar	Kensington Close Hotel, W.8
Oct. 8—12	Dunchurch College: Management Skills	Dunchurch, Rugby
Oct. 9—10	Financial Times: European Motor Industry	Royal Lancaster Hotel, W.2
Oct. 10—12	Marketing Improvements: Managing a Sales Force	Portman Hotel, W.1
Oct. 11—Dec. 13	Fin. Times and City University: FT-City Course	City University, E.C.2
Oct. 15—19	Computer Power: Systems Management	Cannock, Staffs.

THE WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—
Bevan (D. F.) Edgbaston, 2.30.
Fashion & General Investment, Winchester House, E.C., 12.
Hartley Industrial Trust, Manchester, 12.
Manson Finance Trust, Grosvenor House Hotel, W., 11.30.
Mining Supplies, Doncaster, 12.
Oriel Foods, 74, St. James's Street, S.W., 11.30.
Wilson Brothers, Hounslow, 4.30.
Yatton Furniture, Abercorn Rooms, E.C., 12

BOARD MEETINGS—
Finals:
AB Electronics
Cantors
Baine Engineering Industries
Peters (John) (Furnishing Stores)
Scottish Universal Investments
Second City Properties
Zambian Anglo American
Interims:
Advance Electronics
Allied Polymer
Argentine Southern Land
Charles Clifford Industries
Corinthian Holdings
Crane Fruehauf
Edinburgh Investment Trust
Jourdan (Thomas)
Royco Group
Sumner (Francis)

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mort. Corp. 6½pc Deb. Stk. 1985-90, 3¼pc., 7¼pcDeb. Stk. 1981-84, 3⅞pc., 9¼pc Deb. Stk. 1980-85, 4⅝pc.
Associated British Foods, 0.9083p.
Associated Spring Corp., 30cts.
Chrysler Corp., 35cts.
Dewhurst & Partner Ord. & 'A', 0.25725p.
Fashion & General Inv. Tst., 2.1p.
General Motors 85cts. B.D.R.'s, 4.25 cts.
Gillett Brothers Discount, 4.2p.
Grace (W. R.), 37.5 cts.
Graham Wood Steel, 0.91p.
Great Northern Inv. Tst., 0.95p.
Hartley Industrial Tst., 1.4p.
Helene of London, 0.735p.
Hongkong & Shanghai Banking, 1.371p. (Colonial Reg.), 20cts.
Kraftco, 44.2cts.
Liverpool Corp. 7pc Stk. 1976-77, 3½pc.

...

Marshall (Thomas) Invest. Div. or scrip option—At holders election—a final div. of 0.1p net per share and an aggregate sum of 3.65p per each Ord. share be capitalised and allotted to Ord holders on reg. at the rate of 13 new Ord. for 1000 Ord.
Mercantile Invest. Tst., 0.4375p
Merchants Tst. 0.6125p
Olives Paper Mill 0.7p
Polly Peck 0.658p
Preedy (Alfred) 1.1025p
Richards of Sheffield 0.56p
St. Martins Prop. Corp. 1.51375p

Aircraft industry looks South American marke

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MORE THAN 20 U.K. areospace companies are exhibiting at the first international air show to be held in Sao Paulo, Brazil, which opens next Friday. The show is to be visited by Mr. Michael Heseltine, Aerospace Minister.

Highlights of the British industry's efforts to win new markets in South America will include displays by the Hawker Siddeley Harrier jump-jet fighter, the HS-125 Series 600 executive jet, and the HS-748 turbo-prop feeder-liner, all of which will be displayed in other countries apart from Brazil, including Peru and Ecuador.

According to Mr. Alec Watson, marketing director of Hawker Siddeley Aviation: "There is considerable interest in all three aircraft. South American countries have an interest in the Harrier in both its air force and naval roles."

Other U.K. aircraft on display will include the Hawker Siddeley Nimrod maritime reconnaissance jet, the Fairey Britten-Norman twin-engined Islander, the British Aircraft Corporation One-Eleven, and the Westland Lynx helicopter.

Out of total U.K. aviation exports to South America of £14m. a year, those to Brazil are now running at £5m. a year, and that country has this year become the U.K.'s fourth best market for aircraft.

With the rapid development of air travel in South America, it is considered there are excellent prospects for further sales.

Competition is strong, however. At the Sao Paulo show, the U.S. is making a big effort to keep European companies out of the market, with 60 exhibitors, while the U.K. also faces strong competition from France. The European A-300B air-bus will appear at the show.

India, with its military aircraft built by Hindustan A[...] poration, and Israel, Arava 201 small troop [...] are also taking part.

Brazil is still only a [...] craft manufacturer, [...] the Xavante trainer [...] force, the Bandeira[...] engined 21-seater [...] Ipanema, a small crop-[...] craft.

The country is know[...] to expand its aircraft [...] especially in the tra[...] craft area, and it is po[...] licence deals for the m[...] of other countries' ty[...] arranged in the near [...] haps as a direct result [...] Paulo show.

The show runs from [...] 14 to 23. Mr. Heselti[...] to Brasilia for talks on [...] matters with Brazilia[...] on September 17. He [...] a brief official visit t[...] September 20 and 21 [...] with Government Mi[...] leading commercial fig[...]

Anti-counterfeit tickets to b[e] introduced by British Airwa[ys]

BRITISH AIRWAYS is to introduce new tickets on its international routes which will incorporate more anti-counterfeiting and anti-fraud qualities than are used by any other airline.

A contract for over £5m. of these new high-security tickets has been placed with the Security and Systems Print Division of The De La Rue Company.

As well as the special anti-counterfeit and anti-fraud qualities—the nature of which are being kept secret — the British Airways tickets will include other new security features recommended by the International Air Transport Association's fraud prevention experts.

Over the past few years, airlines throughout the world have been increasingly made the target for ticket thefts and frauds, with the result that they have lost revenue estimated at several millions of pounds.

The new tickets will be produced on special equipment recently installed by De La Rue, in a bid to become the leader in passenger-ticket production for airlines throughout the world.

De La Rue is also developing a computer-based distribution system by which tickets can be stocked and distributed direct to sales agents and ai[...] from the company's h[...] factory at Dunstabl[e] [...]shire.

The company's [...] bureau can automati[...] stocks held and distr[...] also provide autom[...] replenishment.

Airline managemen[...] effectively monitor [...] distribution operation[...] if not eliminate, the [...] of ticket thefts or m[...]

Several airlines are [...] interest in this syste[...] of the benefits it [...] greater security and [...] lining of distribution.

CAA agrees to more low-co[st] charter flights to S.E. Asia

BRITISH AIRWAYS and British Caledonian Airways have been given permission to make a further limited number of low-cost charter flights between the U.K. and destinations in South-East Asia.

The Civil Aviation Authority has extended by one year, from October 1, 1973 up to September 30, 1974, the rights of both airlines to continue making "exempt charter" flights — that is flights available to the general public at fares below normal scheduled rates. These have been operated for some time.

British Airways, through British Overseas Air Charter, will be permitted to fly between London and Kuala Lumpur on 52 occasions in each direction, and between London and Bangkok on 12 occasions in each direction.

British Caledonian Airways (Charter) will be permitted to make a total of not more than 156 flights in each direction between London and Bangkok, or Kuala Lumpur or Singapore.

As already announced, British Caledonian has been [...] scheduled-service ri[...] route to Singapore [...] from January 1. Bri[...] already runs schedu[...] between London and [...] Bangkok and Kuala [...]

The single fare, L[...]pore, on these low-fa[...] charters," is just ove[...] pared with the norm[...] class single on schedu[...] of £255. The ser[...] authorised two year[...] proved popular, [...] thousands of passenge[...]

Victoria Deep Water expec[ts] to double container through[put]

BY RAY DAFTER

VICTORIA DEEP Water Terminal, a private port venture operating in the heart of London's old dockland, is expecting its throughput almost to double in the next 18 months following the inauguration of its latest £1m. container facilities.

Last year, the terminal handled about 25,000 containers. By the end of 1974 the throughput is expected to be in the region of 50,000 units annually. This traffic is separate from the boxes handled by the Port of London Authority which, with its current throughput running at a rate in excess of 300,000 units a year, makes it Britain's major container port.

Nevertheless, VDWT is building up its traffic in an up-river situation where the PLA is running down its dock facilities. The terminal has been developed next to the Blackwall Tunnel near to the now redundant Surrey and London docks of the PLA.

In the past few years some £2.5m. has been spent on extending the berth and freight handling facilities. Recently, the company commissioned what is claimed to be the biggest and most modern container handling gantry system in Britain.

The system, which has created a good deal of interest among major port operators, is based on rail-mounted long-span Paceco Vickers Portainer and Transtainer. It is the first of its kind in the U.K., suitable for conversion to automatic, computer control techniques.

Although a VDWT concentrates on short-sea container traffic, groupage services and handling Lykes Line's international Seabee barges, it is possible that the ter[minal will] diversify into roll-on [...] a later date.

Mr. Robert Kimber, [...] manager, said yesterd[ay] [...] terminal would sho[...] handling a new Bulg[...] container service. [...] yet undisclosed conta[...] is due to start in Dec[...]

"We see ourselve[s] [...]plementing the Port [...] Authority in continuin[...] trade to the London [...] said.

The terminal is als[...] the PLA financially. [...] it pays—through its cu[...] about £100,000 a yea[...] Authority by way of p[...]

U.K. REVENUE

Consolidated Fund	Budget estim'te 1973-74	April 1 '73 to Aug. 31 1973	April 1 '72 to Aug. 31 1972
Revenue—	£m.	£m.	£m.
Inland Revenue	10,464	3,749.8	3,332.3
Customs & Excise	6,751	2,000.4	2,391.3
Motor Duties	500	223.6	204.8
Selective Employment Tax	39	30.0	421.7
Br'cast Rec. Lic.	147	51.4	44.2
Interest & Divs.	90	50.2	46.7
Other	460	201.4	142.9
Total Rev.	17,451	6,306.8	6,574.5
Expenditure—			
Supply Services	17,809	7,042.7	6,271.5
Nat. Debt Service—paym'ts to NLF	278	229.8	237.4
To Nthn. Ireland	382	142.2	130.5
Post-war Credits	5	7.0	93.4
Payments to Europ. Comm's.	160	87.2	—
Conting. Fund	—	—27.0	—35.0
Other Services	14	5.9	5.9
Total Expend.	18,648	7,503.8	6,717.7
Surplus transferd. to Nat. Lns Fd.	—	—	—
Deficit met from N.L.F.	1,197	1,197.1	143.2
NATIONAL LOANS FUND			
Receipts—			
Interest, etc.	1,697	539.9	493.8
Nat. Debt Service Balance met from Con. Fund	278	229.8	237.4
Surplus from Con. Fund	—	—	—
Death Duties Surrendered Secs. Acc.—Transfer of Surplus	—	—	—
Exch. Eq. Acct.—Sterling Cap.	—	—160.0	1,300.0
Int. Mon. Fund	—	—	2.9
European Fund	—	—	—
Borrowing—			
Nat. Ind. St. Rd.	349	349.3	179.1
Other (net)	3,304	1,409.3	—720.3
Opening balance April 1	—	1.9	2.0
Total	5,628	2,380.2	1,414.9
Payments—			
Nat. Debt. Int.	1,920	746.2	639.4
Nat. Debt. management and expenses	55	23.6	21.8
Consol Fd. Deficit met from N.L.F.	1,197	1,197.1	143.2
Loans—			
To Nat. Ind for maturing stock redemp	349	349.3	179.1
Other (net)	2,107	4.9	429.5
IMF—m'ntenance £ holding	—	57.1	—
Closing bal.	—	2.1	1.9
Total	5,628	2,380.2	1,414.9

Floating Debt.	Aug. 31 1973	May 31 1973	Aug. 31 1972
	£m.	£m.	£m.
Ways & Means Advances—			
By Bk. of England	28.5	35.5	4.7
By Public Depts.	404.7	608.5	309.6
Try. Bills outstdg.	4,705.1*	3,085.3†	3,317.4
Total	5,138.3	3,727.2	3,631.7

* Includes £1.7m. not brought to account within the period. † Includes £0.4m. not brought to account within the period.

WEEKLY AVERAGES OF U.K. INDICES

Week to—	Sept. 7	Aug. 31	Aug. 24	Aug. 17
Financial Times				
Govt. Secs.	63.58	64.32	64.26	64.42
Fixed Interest	63.97	64.33	65.41	65.56
Industr'l Ord.	408.3	415.8	418.2	422.4
Gold Mines	164.3	152.8	151.8	145.6
Dealings mkd.	6,072	6,238	6,090	6,390
F.T.-Actuaries				
Ind. Group	165.75	167.93	168.97	171.97
500-Share	174.49	176.79	177.48	181.05
All-Share	173.30	175.63	176.53	179.95
20-year Govt.	61.55	62.32	62.38	62.50
Red. Debs.	61.48	62.66	63.78	62.82

OVERSEAS NEWS

Chilean tensions mount after factory shooting

BY HUGH O'SHAUGHNESSY

SANTIAGO, Sept. 9.

CHILE WILL be turned into another Vietnam if a coup d'état is attempted against the Government. This was the principal message to emerge from a fiery and combative speech here this afternoon by Senator Carlos Altamirano, Secretary-General of the Chilean Socialist Party, the largest component of President Allende's Popular Unity Government.

Sen. Altamirano called for the full mobilization of the workers against their "class enemies" who were plotting against the Government. In strong implicit criticism of his fellow Socialist, President Allende, Sen. Altamirano said that past discussion with the Opposition had only produced back tracking by the Government. He rejected any dialogue with "seditious groups who were starving the country"—a reference to the current transport strike which is severely cutting food supplies.

In a warning to the Government he said that the "great combative force of the Socialist Party" would only be thrown behind the Government if it insisted on the full implementation of the Popular Unity programme.

He accused the U.S., in concert with Brazil and Bolivia, of trying to overthrow Chile's legally-constituted Government.

Violent incidents on Friday evening between airport troops and the nylon factory formerly owned by the Sumar family have this week-end led to renewed tensions between the Government and the armed forces. Troops machine gunned the factory causing damage to machinery and injury to three workers after the unit had allegedly been fired on from the plant and from the surrounding area while it was searching a nearby house for arms.

Yesterday President Allende summoned the chief of the armed forces to the presidential palace for consultations. He also had long discussions with the leaders of all parties in his Popular Unity Government coalition.

The armed forces appear to be convinced that the factories and slum districts are stuffed with weapons and are on the point of armed revolution. An air force statement yesterday, for instance, alleged that the Sumar workers were "armed, organised and trained for para-military operations."

This line of argument is strongly resisted by Government supporters who say that no factory search by troops has revealed firearms and that the searches and consequent damage and occasional injury are a provocation by the armed forces to the working classes. They further accuse the armed forces of doing little or nothing against suspected Right-wing extremists.

Thin show of unity at Algiers

ALGIERS, Sept. 9.

THE FOURTH NON-ALIGNED Summit conference, grouping 76 countries, closed a five-day session here to-night with an outward show of unity but deep divisions behind the scenes.

Declarations on political and economic issues, which avoided extremes at either end of the political spectrum, were adopted by consensus.

But all the hard-hitting resolutions, calling for such things as withdrawal from the Mediterranean of the Soviet and U.S. fleets and a boycott of Israel, were left on one side because no one could find a form of words which 76 countries would be likely to support.

There was an air of crisis and desperation early to-day when it looked as if the conference would be unable to finish its work because of impossibility of reaching agreement on numerous issues. Reuter.

...rey Morrison writes:

...last-minute difficulties, ...emerged in a private ...t session from which the ...were excluded, confirmed ...wing impression among ...s and observers that the ...ned movement has ...almost impossibly ...dy and politically diverse. ...ference sources said that at ...private Heads of State ...sion Libya's Col. Khedaffi ...de sudden objections about ...e conference's procedure ...pects of which he described as illegal."

Several Heads of State have already left Algiers and there seemed to be a growing likelihood that many of the conference's most contentious issues, such as whether the non-aligned group should set up a permanent secretariat, would have to be postponed to a subsequent meeting of Foreign Ministers or even until the next Summit.

Throughout the conference it has been very clear that the more than 70 nations attending have very widely differing impressions about what non-alignment is all about. This makes it very difficult for it to act as a coherent group or bloc in the way for instance the Organisation of African Unity does.

The open row between Col. Khedaffi and Dr. Fidel Castro, the Cuban Prime Minister, during which the Libyan leader suggested that Dr. Castro had no business attending the conference because his country was dominated by the Soviet Union, was only the most spectacular example of the conference's difficulties in working out a common political line.

Dr. Castro, for his part, attacked Brazil's presence here as an observer because he said it had too close ties with the U.S. This led to-day to a sharp reply by Brazil's chief delegate, Sr. Wladimir Murtinho, who rejected Dr. Castro's "false and baseless accusations."

Later to-day, the Cuban Premier announced that his country would immediately break off diplomatic relations with Israel.

In another development to-day, President Idi Amin of Uganda called for the expulsion of Malawi from both the non-aligned conference and from the OAU. Speaking at a Press conference he described Malawi as an agent of the imperialists" and more dangerous than the imperialists themselves."

The Ugandan President reiterated his refusal to discuss anything about compensation for British firms taken over by his Government unless Prime Minister Heath visited Uganda personally. I am no longer small to Britain. I am big," President Amin declared.

Earlier President Amin had told the other Heads of State that he was on the side of those who favoured the setting up of a permanent non-aligned secretariat. There was loud laughter when he added that a good place for it to be set up would be Kampala.

Burns says Nixon policy 'too lax'

BY GUY DE JONQUIERES

WASHINGTON, Sept. 9.

DR. ARTHUR BURNS, the chairman of the Federal Reserve Board, emphasised in strong terms to-day that the Fed is firmly committed to its current tight money policy even though it will bring some economic hardships in the months ahead.

In a speech in Minneapolis Dr. Burns also chided the Nixon Administration for pursuing too lax a fiscal expenditure policy and urged a tax increase to help soak up excess demand. He endorsed, as he has done before, the idea of flexible fiscal measures which could be quickly removed once the economy was back on an even keel.

At the same time the Fed. chairman expressed considerable optimism over the prospects for the U.S. trade and payments balances, despite the immediate inflationary aftermath of the successive dollar devaluations.

Throughout his speech Dr. Burns stressed in very deliberate language the Fed's independence from the Nixon Administration and left no doubt about his implication: that it is the Fed that is taking the initiative in steering the economy back to more stable growth and that its task is being complicated by excessive spending policies in the Administration and Congress.

"By now," he said, "even sceptics in the financial community should be convinced that the Federal Reserve will not flinch in its determination to moderate substantially the pace at which money and credit supplies have been expanding."

He disclosed that during July and August the rate of growth of money supply (in terms of currency plus demand deposits) had slowed to only 2 per cent., compared to 6 per cent. in the first half of this year and 7.5 per cent. in 1972. But while acknowledging that a number of businesses and the home building industry will suffer, Dr. Burns remained resolute about not letting up the brake before monetary growth had stabilised.

Beyond the effects of fiscal and monetary policy Dr. Burns conceded that inflation had been aggravated by a combination of unusual factors. These were: the negative effects of the dollar devaluation; the world-wide demand for capital goods; the fact that U.S. industry has been running close to capacity; and poor harvests in a number of countries.

Lip solution 'in sight'

BY GILES MERRITT

PARIS, Sept. 9.

A BREAKTHROUGH in the deadlocked Lip talks between M. Henri Giraud, the man appointed to implement the Government's plan breaking-up the bankrupt company, and representatives of the 1,300 workers who face large-scale redundancies, finally appears to be on the cards.

Following Friday's "Day of Action", demonstration in Paris by 600 Lip workers and ten times as many supporters, yesterday's negotiations on a compromise solution continued until almost midnight. Announcing that the talks would resume on Tuesday, M. Giraud made it plain that he thought a solution was now in sight.

Already the Government has amended its plan to split Lip into four separate operations and has said it would agree to three. With the Lip men who demonstrated on Friday still apparently obdurate on the point of no split-up at all and no redundancies, there is speculation that the authorities may have made further concessions.

But it is equally possible that the announcement by a Swiss watch industry group, Generale SA Boites de Montres Holding, that it is prepared to invest in a Lip watch cases venture may also account for the note of confidence that has at last crept into the month-long negotiations.

Pompidou to start week-long China visit

By Giles Merritt

PARIS, Sept. 9.

PRESIDENT POMPIDOU leaves Paris tomorrow afternoon for a week-long visit to China. He is due to arrive in Peking on Tuesday and will stay until September 17. On his way back here the President is to make a stopover at Tehran, where he will have talks with the Shah.

M. Pompidou is scheduled for a total of 12 hours of talks with either Party Chairman Mao Tse-tung or Premier Chou En-lai. Trade is understood to be very high on the agenda, while M. Pompidou is also expected to press for the expedition of such projects as French oil exploration there.

As the first West European Head of State to visit the People's Republic, the French are understandably making much of the event. It is even being pointed out that it is the first official "State" visit by a Western leader, as President Nixon's celebrated trip there last year was "unofficial." At any rate President Pompidou is being caste here in the role of European spokesman in Peking, especially so during the discussions on security and the limitation of strategic arms which are expected to dominate much of the talks.

Whatever the tangible results of M. Pompidou's initiative—and it being hoped that export orders worth a possible Frs.2,000m. will be among them — his trip is being described as the logical result of a special Franco-Chinese relationship of nine years' standing.

Ever since General de Gaulle established diplomatic relations with China in March 1964, when France had become determined to reject U.S. influence and China that of the Soviet Union, the two countries have been drawn steadily closer through their opposition to the two "superpowers." Observers here believe that this is the key to this week's summit, although no one is going as far as to say that it is also the basis for any radical changes in French foreign policy.

Bonn fears that Soviet action is threat to Ostpolitik

BY MALCOLM RUTHERFORD

BONN, Sept. 9.

THERE IS now increasing concern here that the Soviet treatment of dissident intellectuals could endanger East-West relations and undermine Chancellor Brandt's Ostpolitik. In particular, recent Soviet statements and actions appear to have produced a more sceptical attitude in Bonn towards the European Security Conference.

The whole issue has been highlighted by the case of Herr Guenter Grass, one of the country's best-known novelists and an active campaigner for Herr Brandt's Social Democrat Party (SPD), Herr Grass has been invited to Moscow to give a lecture by the West German Ambassador, Herr Ulrich Sahm. At the beginning of this month, Herr Sahm cabled him advising him to postpone the visit on the grounds that the atmosphere in the Soviet capital had become too nervous.

Herr Grass reacted strongly by publishing his reply to Herr Sahm, which not only criticised the Soviet treatment of intellectuals, but also said the policy of detente could be taken too far and warned against foreign policy which forgot about the freedom of the individual. Other normally pro-Government writers supported Herr Grass.

The SPD presidium expressed its anxiety about Soviet behaviour last Tuesday, but this still fell short of a clear statement by Herr Brandt or the Government as a whole. By Friday, the mass circulation Bild Zeitung had managed to get hold of one of the most prominent of the dissidents, Mr. Andrei Sakharov, on the telephone. Mr. Sakharov was quoted as saying that an appeal from Herr Brandt to the Soviet Government would help.

Herr Brandt duly issued a brief statement yesterday. "I feel associated," he said, "not only recently with those who are in danger because of their convictions. My views on cultural and scientific freedom are known to the Soviet leadership."

These events have led to a new questioning of the basis of Ostpolitik. The trials of the dissidents have come only shortly after Bonn ran into difficulties with Prague over the claim to represent West Berlin in consular matters. Prague's hard line on this is generally traced back to Moscow. There have also been a number of difficulties in relations with East Germany.

UPI adds from Moscow: The Tass news agency to-day criticised two foreign statesmen who have spoken up in favour of dissidents in the Soviet Union. Tass said there are "still individuals abroad who are trying to distort the actual state of affairs" in the world by opposing detente with the Soviet Union.

"It is strange," Tass said, "when they are joined by some statesmen in Sweden or Austria who try to link their statements on this subject with the conference on security and co-operation in Europe."

This was an evident reference to comments made recently by Austrian Chancellor Bruno Kreisky and Swedish Foreign Minister Krister Wickman, who said a crackdown on dissidents in the Soviet Union was doing nothing to further the cause of world detente.

Ireland lifts lending rates

By Dominick J. Coyle

DUBLIN, Sept. 9.

ALL CATEGORIES of lending rates charged by the Irish Associated (Clearing) Banks are being increased by 0.75 per cent. from the close of business tomorrow and the Central Bank has also approved upward adjustments to deposit rates.

Oil crisis 'a deception'

CAIRO, Sept. 9.

MAJOR JALLOUD, the Libyan Premier, said to-day American talk of an energy crisis is "Imperialist deception" possibly aimed at justifying future armed intervention to take over the sources of Arab oil.

In statements published by a Cairo news magazine, Major Jalloud reported that new and important oil discoveries were made by Libya recently "which make nonsense of claims that Libyan oil reserves will be finished in 15 years."

He also said Libya will try to win a resolution from the Organisation of Petroleum Exporting Countries replacing the dollar by a "guaranteed currency" in oil payments. UPI

'CHILD LABOUR IN HONG KONG'

JOHANNESBURG, Sept. 9.

A JOHANNESBURG newspaper to-day published a special survey of "shocking" wages and labour conditions in Hong Kong to underline what it said was blatant hypocrisy by Britain over wages paid to African workers in South Africa.

The two-page article in Johannesburg's Sunday Express alleged that child labour was common in the Crown colony and that multi-million pound British companies were paying "near starvation wages" to some of their Chinese workers. Reuter

CBI to decide its line on Phase Three this week

BY HAROLD BOLTER, INDUSTRIAL CORRESPONDENT

THE CONFEDERATION of British Industry will decide its detailed proposals for Phase Three of the Government's counter-inflation policy at a series of key meetings to be held this week.

It is thought that the CBI is anxious to present the Prime Minister with a complete package of ideas for the next stage of Government policy at its Downing Street meeting planned for September 18.

Within the Confederation, there is the feeling, following last week's Congress at Blackpool, that although TUC leaders may be able to talk to Mr. Heath directly, their mandate from Congress will not allow them to take part in any three-party negotiations over the terms of Phase Three.

special committees believe to be

For this reason, the CBI's September 18 meeting and one planned by Mr. Heath with the TUC on September 20 have assumed more importance. Although it is expected that further discussions may be held with Mr. Heath in the following week, the CBI feels that its chances of getting its views over now are becoming limited.

There is a general expectation that the Government will produce a Green Paper discussion document on Phase Three either in the last week of September or the first week in October.

Mr. Campbell Adamson, the CBI director general, who returns from holiday to-day, will be presented with a document on the detailed reforms which some of the Confederation's special committee's believe to be necessary in the Prices Code.

In particular, it will press the Government to remove controls on profit margins, or at least to re-draw the rules with the need to sustain essential capital investment in mind, even if this means tougher direct controls on price rises.

CBI leaders will be meeting Sir Geoffrey Howe, Minister for Trade and Consumer Affairs, to discuss the prices issue on Wednesday.

On the same day, the Confederation employment policy committee will meet to complete its suggestions on pay during Phase Three.

Made clear

It has already been made clear that the CBI cannot see the possibility of an early return to free collective bargainng, although it hopes that it will be possible to move to a more flexible period of negotiation during the course of the policy.

At their meeting with Mr. Heath, the CBI team, led by Mr. Adamson and Sir Michael Clapham, the president, will also carry a report on the Confederation's attitude towards the Industrial Relations Act, although this is not regarded as a very live issue.

It was being emphasised yesterday that the Confederation is not seeking a reform of the Act as such, and that it has not been asked for its views by the Government.

Nevertheless, the subject has been for some time on the agenda for the talks now taking place, and the CBI is preparing a complete document on its approach towards the Act, just in case.

The CBI's draft views are already circulating. In essence, a working party of eight leading members has produced proposals for changes, including the abandonment of the present registration requirements, an end to legal enforceability of collective agreements, and the possible repeal of the emergency powers for secret ballots and "cooling-off" periods.

Fundamentally, however, the working party still gives full support for the basic principle of the Act as a framework of law for industrial relations.

As things stand, the CBI's document will almost certainly not be needed during the current round of talks on the economy.

With the TUC pressing for the Act to be abandoned or at least put on ice, rather than calling for specific reforms, the CBI's views on what changes might be made will almost certainly not be sought by Mr. Heath.

Ironfoundry output falls despite boom in heavy industry

FINANCIAL TIMES REPORTER

THE RECOVERY in the iron founding industry slowed down in the second quarter of 1973 despite the boom in heavy industry.

Figures published to-day by the Council of Ironfoundry Associations show that production fell from 923,000 tonnes in the first three months of 1973 to 878,900 in the second quarter. In seasonally adjusted terms this is a decline of just over 1 per cent. and reverses the upward trend of the last two quarters.

The council yesterday described the figures as "disappointing in view of the reported boom in heavy industry." It blames the cut-back on a shortage of both scrap metal and skilled labour. The industry's labour force dropped by about 300 workers in the second quarter of 1973 compared to an expansion of 600 men in the first quarter.

Only one sector of the industry—those foundries supplying iron casting to the engineering industry — escaped the drop in production. Worst affected were those foundries supplying the building and domestic sector.

Because of last year's coal strike however, total production figures still show a 10 per cent. increase on the same period last year for the first six months of 1973.

● A warning that half of Britain's 2,000 or so foundries might be out of business by 1980 is to be given by Mr. John Fenton, director-general of the Institution of Sales Engineers, in his introduction to a management workshop for the industry on September 14 at Leamington Spa, Warwickshire.

Mr. Fenton states that profit margins have to be increased to provide capital for modernisation of plant and that more skilled labour has to be found.

Japan is fastest growing market for Scotch whisky

FINANCIAL TIMES REPORTER

JAPAN IS now the second largest customer for Scotch whisky.

The Japanese market has been the fastest growing market in the world in both July and the first seven months of the year according to official statistics.

Scotch exports to Japan this July amounted to 987,000 proof gallons valued at £2.8m. This year's running total of Scotch shipments to Japan is ahead of last year's corresponding period by 228 per cent. in volume and 246 per cent. in value—to 3.6m. gallons worth £10.9m.

The growth is due to a lowering of the Japanese duty late last year, the devaluation of the pound against the yen, and extra sales efforts by both exporters and importers.

The U.S. increased its Scotch imports in the seven-month period by 7.9 per cent. in volume and 9.5 per cent. in value—to 17.7m. gallons worth £54.9m.—and was still the biggest overseas market.

Total world exports of the five categories of Scotch in the first seven months was 41.8m. gallons worth £137.7m., an increase of 20 per cent. in volume and 21 per cent. in value on last year.

Italy was the third largest overseas market in the period; Scotch exports there rose 56 per cent. in volume and 67 per cent. in value 2.03m. gallons worth £8.04m.

Spain imports

France recovered in July but the seven-month total of 1.7m. gallons valued at £5.7m. was ahead of last year by only 1 per cent. in volume and 7 per cent. in value. Western Germany also recovered in July but the seven-month period shows a decrease of 8 per cent. in volume and 18 per cent. in value compared with last year — gallons worth £3.7m.

While other European also showed healthy i Spain was outstanding in Scotch imports in the p 70 per cent. in volume per cent. in value to gallons worth £2.34m.

Shipments to New Zeal 56 per cent. in volume per cent. in value to gallons worth £1.04m. Australia advanced 41 in volume and 40 per value to 1.33m. gallons £3.8m.

South Africa slipped per cent. in volume to gallons but rose 9 per value to £1.7m. Despi covery in July itself, remained disappointing period with both volu value down 23 per cent. gallons worth £2.6m.

Big Newark development has outline consent

BY PETER RIDDELL, PROPERTY CORRESPONDENT

OUTLINE PLANNING consent has been granted to Arrowcroft Investments for a £3m. central area redevelopment scheme in Newark, Notts.

Arrowcroft, appointed in February by Newark Corporation to carry out the project, has signed heads of agreement with the council on the ground lease for the land on which more than 100,000 square feet of shopping and office space will be built.

The scheme has been designed by Gordon Benoy and Partners, local architects, to blend in with surrounding historic buildings, and the proposals have been submitted to the Royal Fine Arts Commission which has approved them in principle.

Work is due to start early next year, and the development should be fully operational two years later. It will provide 90,000 square feet of shopping plus 15,000 square feet of offices together with parking for 650 cars.

The shopping space will include a 30,000 square feet supermarket, two further shops and some smaller units.

An Arrowcroft spokesman said that demand for space had been "exceptional" and "about 40 companies, local, regional and national, have made inquiries which easily exceed the number of shops available."

Letting agents are Weatherall Green and Smith and John E. Mitchell and Sons. The engineers are H. L. Waterman and Partners with Norvell and Partners as the quantity surveyor.

Shareholdings register for Derby council

TO AVOID allegations of local government corruption, a voluntary register of all members' financial interests is to be compiled by the controlling Labour group of Derbyshire County Council.

The move follows the discovery that some Labour councillors have been approached by companies offering "perks" in exchange for local authority orders.

Mr. John Beadle, secretary of the Derbyshire Co-ordinating Committee of the Labour party, said yesterday, "We are also developing a code of conduct which we hope all local councillors will adopt. All members of the new county council will be invited to register their shareholdings and financial interests in companies."

Rising tramp shipping rates upset forecasts

BY JAMES McDONALD, SHIPPING CORRESPONDENT

THE VERY high freight rates this summer in the tramp shipping markets—both dry cargo and oil tanker—has confounded forecasts that rates would fall back from the earlier peaks in the spring.

The current levels now seem set for the autumn and winter, perhaps rising even higher still, writes Mr. J. Mearns Wallace, chairman of Wallace Shipping, a member of the Montagu Trust Group, in the company's latest review.

Although the tramp shipping scene is more complicated than ever, making market forecasting difficult, Mr. Wallace says: "In the present situation with a difficult money market and serious inflation, shipping should continue to be active for some time."

In the middle of 1972 the sale of large quantities of U.S. grain to Russia "seems to have been the long-awaited key to a better shipping market. Such keys are a basic ingredient for shipping. This grain required considerable dry-cargo tonnage to move it and a steadily increasing demand for such ships pushed up freight rates."

Now, with active and increasing dry-cargo and tanker freight markets, the prospects of further grain sales to the USSR have been watched closely. But it seems that a more satisfactory Russian harvest is coming along and so perhaps this major source of dry-cargo market activity may not require so much tonnage as had been hoped, adds Mr. Wallace.

"However, other needs appear, perhaps due to the very strength of the market, and now imports of grain and foodstuffs into the Indian sub-continent are active at high freight levels."

The oil tanker market roughly followed the same pattern as the dry-cargo market and to-day tanker owners are obtaining the highest rates for voyage business ever paid in relation to the size of tankers now at sea, the review points out.

Shipping is facing one big difficulty, the cost of money and the fact that the greater proportion of freights is paid in the main trading currency, the U.S. dollar.

"Recently shipbuilders have increased the cost of ships to the owners by 10 or 12 per cent. per annum, or to put it another way, 1 per cent. per month for later deliveries, quite apart from any bigger profit margins.

"In the summer of 1972 deliveries for most ship types could be obtained in 1974 and 1975. Because of shipping demand, the builders have secured large numbers of orders so that the deliveries are now into 1977 and 1978 according to size.

"The ship that would have cost £3m. if ordered last summer now costs over £4m. to build, or a ship ordered last autumn at £10m. would now cost £16m."

Atlantic charter fare plan from U.S.

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE U.S. Civil Aeronautics Board has put forward a plan for cheap transatlantic charter rates of about £63 return ($152) minimum.

This plan, which is subject to comments from the airlines and other interested parties, such as Governments, is believed to be in response to the recent decision of the Washington Appeals Court, which ordered the CAB to withdraw its earlier approval of the current North Atlantic air fares agreement

Airline comment

The court gave the CAB 21 days in which to come up with new ideas for North Atlantic fares. The CAB has already asked the airlines for their comments, and the matter is being studied by the airlines at their North Atlantic fares-fixing meeting in Nice.

Reports from the U.S. suggested that the CAB plan would set a minimum North Atlantic charter rate of 2.2 cents a seat-mile for mid-week charters, and 2.4 cents a seat-mile for week-end charters. Based on a round-trip distance of 6,912 miles London-New York, this would work out at $152 and $166 respectively.

The idea is not likely to cause much concern to U.K. charter airlines, since under their existing Advanced Booking Charters scheme, which became operational earlier this year, they are already offering round-trip charter fares to the U.S. at about the CAB levels.

It might cause the scheduled airlines some alarm, however, since they have been seeking permission to introduce similar low rates on their own through such schen Advanced Purchase E (APEX) fares.

The CAB said that below the rates it was posing might be foun "unjust and unreasonat should be investigat suspended in the abs "the most convincing justification."

Scheduled airline-mem the International Air T Association, meeting will almost certainly swiftly to the CAB's re comments.

New scale

They began their mee week, and have only a fe in which to draw up a n of fares, if they are government approval fo have it operational by Ja

Because of the time get such government a and to market new fares world-wide travel age new scale has to be a airline level in effect October.

The CAB plan is th to what they had hope otherwise be a tough parative straightforwa tion of inter-airline ba This notion has alrea upset by the Washingto rejection of the earlier fares agreement.

On North Atlantic fares, the CAB said that be disposed to withhold of any new IATA a which further raised economy fares or materially to eliminate termed "unjustly discri fares."

World grain reserve possibilities reviewed

BY OUR COMMODITIES STAFF

THE ADVANTAGES and problems of establishing an international grain reserves to distribute food grains, notably wheat and rice, to those parts of the world where sudden crop failure and lack of purchasing power threaten the essential food supply, is explored in a study pamphlet published to-day.

Written by Dr. Timothy Josling, of the London School of Economics, the study emphasises that, despite the "Green Revolutions," disease and drought are still posing a threat of serious food shortages in developing countries, as the present world grain situation well illustrates. Indeed, the study points out, the new high-yielding strains of wheat and rice are, because of their genetic uniformity, particularly susceptible to disease, and more dependent on adequate water.

Spread burden

An international grain reserve would provide the most rapid and dependable means of meeting unexpected food shortages and it would spread the burden of providing disaster relief more widely among affluent countries. It would mean more effective use of capital tied up in grain stocks, and would help foster risky but potentially productive agriculture in developing countries.

Dr. Josling says the size of an international grain would be a matter for

Assuming it was held to the centres of consum possible, he calculates and judgment. of a 10m.-ton reserve wo at around $150m. a year years, falling to $100m. on average thereaft replenishment, and a sum for transport and costs.

The study is sponsored British-North America mittee, which expres view that countries finan international grain should also be the ones the grain, to determi location of storage facili to fix the policies for tion.

FAO experience

Dr. Josling, on the oth suggests that the Worl Programme—set up as venture 10 years ago UN Food and Agr Organisation to distribu aid—has the right experi administer such a sche it is, FAO itself is alread ing up plans for a worl mum reserve food scheme.

An Interntional Grain Policy, by Dr. Timothy BNAC, 12, Upper Street, London, S.W.1. Pr

Clay Cross Council st in wage rise row

BY OUR OWN CORRESPONDENT

CHESTERFIELD, Sept. 9.

OFFICERS OF Clay Cross Urban Council, Derbyshire, have been given a week to obey the order of the council's 11 Labour members to pay out rises of £4.50 a week to 80 manual workers.

Members of NALGO refused to implement the pay award because they claim they would be defying the Government's wage restraint law even though the councillors have officially approved the increases. Now, the councillors have given them a week to pay the rises and warned that "strong action" will be taken if the officers continue to defy them.

Cllr. Graham Skinner said yesterday: "Strong action will be taken if the pay rises are not in the men's pay packets within the week. As they did in the case of our defiance of the Housing Finance Act, our officers can only signify their dissent from our polic placing their oppositi record.

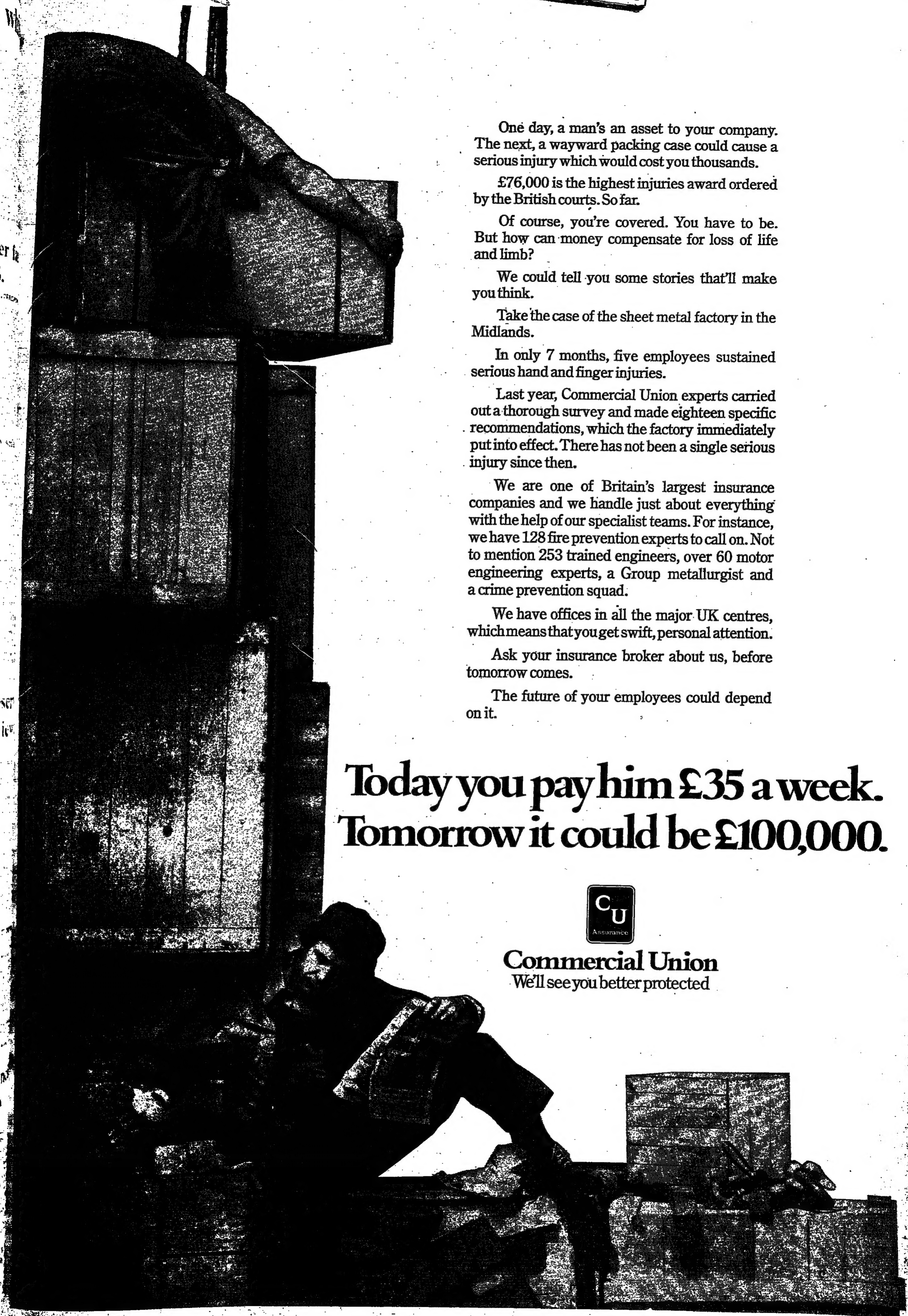
"The officers might b fied in their fears if t Board ruled these increas illegal, but this has n pened. We have not hea the Pay Board and offic servants of the council carry out our instruction out quibbling."

A spokesman for NAL that council officers wo holding further meetin week to reply to the ult

ARBITER AND IN LINK UP

Dr. Ivor Arbiter, w acquired U.K. selling rig Fender Guitars and a r Columbia Broadcasting. products, has formed a ne pany, CBS/Arbiter. CBS 51 per cent. of the equi Mr. Arbiter and his holding the rest.

هكذا من الأصل



One day, a man's an asset to your company. The next, a wayward packing case could cause a serious injury which would cost you thousands.

£76,000 is the highest injuries award ordered by the British courts. So far.

Of course, you're covered. You have to be. But how can money compensate for loss of life and limb?

We could tell you some stories that'll make you think.

Take the case of the sheet metal factory in the Midlands.

In only 7 months, five employees sustained serious hand and finger injuries.

Last year, Commercial Union experts carried out a thorough survey and made eighteen specific recommendations, which the factory immediately put into effect. There has not been a single serious injury since then.

We are one of Britain's largest insurance companies and we handle just about everything with the help of our specialist teams. For instance, we have 128 fire prevention experts to call on. Not to mention 253 trained engineers, over 60 motor engineering experts, a Group metallurgist and a crime prevention squad.

We have offices in all the major UK centres, which means that you get swift, personal attention.

Ask your insurance broker about us, before tomorrow comes.

The future of your employees could depend on it.

Today you pay him £35 a week. Tomorrow it could be £100,000.

CU Assurance

Commercial Union

We'll see you better protected

THE JOBS COLUMN

To run Abrasives without friction

BY MICHAEL DIXON

"YOU start things off, forget about them and they grow and suddenly put big demands on you. There aren't enough hours in the day for me and my brother now."

So Stewart Ashworth, joint chairman with his brother Colin of Abrasives International, wants to appoint a group chief executive "to co-ordinate the managements of our older activities and see that they are profitable."

The group's business is founded on "metal-laundry" equipment such as descaling machines. But it is branching into other areas, particularly leisure products. There are "very active units" in the U.S., Australia and Germany and a growing operation in Guernsey.

The new chief will be based at headquarters in Henley-in-Arden, Warwicks (the address for applications).

"They'll be a secretariat," says Stewart Ashworth, "but the job is really to get the right things done by agreement among the subsidiaries."

Candidates should be doing an executive job of similar type—if not rank, with a commercial and financially minded concern, preferably operating internationally. Some kind of qualification is wanted. Age 35-50.

Salary unquoted, but I estimate £7,000 or so. Equity share in view. Car. Rest for discussion.

"The machine tool depression affected us in 1971 and last year (pre-tax profits respectively £86,194 and £49,562). But our order book is now greater than ever," Mr. Ashworth says.

Marketing lead for Francis

NOT long ago Francis Industries' activities included producing eggs and making boilers. These operations, however, have now been sold off and the group is concentrating on its main business of mass-production engineering in metal and plastics.

One result is the new job of group marketing director on Francis' headquarters executive team. The recruit will report to group managing director Robert Firth (Luddendenfoot, Halifax, Yorkshire).

There is unlikely to be a large central marketing department. The newcomer, who will not be on the main Board initially, will work by "co-ordinating" the marketing plans and pricing policies of the fairly autonomous subsidiaries. These are Clear Hooters; F. Francis and Sons; Lacrinoid Products; Sagar-Richards; United Lift—based variously near Coventry and in London, Essex and Yorkshire.

So the new director, who will also have an acquisition-and-opportunity-spotting role, will need to work by influence rather than by command.

Candidates should know marketing and have experience of Francis' type of volume production industry and of negotiating at senior level with big customers. Age roughly 30-45.

Salary around £7,000 plus incentive bonus. Share option in view. Car. Help with removal. Contributory pension. Five weeks' holidays.

The group's 1972 pre-tax profit was £553,332 (£207,986). Interim results are due very soon.

Veil over Acrow post

IT IS very clear that a financial director is wanted by William de Vigier, chairman of Acrow (Engineers), 8 South Wharf, London W.2.

But where the new director will function is somewhat obscure.

From the advertisement (which quotes basic salary in excess of £15,000 and says the present financial director is due to retire in approximately six months) I inferred that the job is the group financial directorship. No one is at present publicly specified as group financial director but the company secretary, Mr. R. W. Gourdie, is a fellow of the Association of Certified Accountants. His name was second in the directors' list in the accounts for 1971-72, when only two directors were shown as having emoluments above £15,000.

Mr. de Vigier was on holiday last week. Mr. Gourdie was extremely busy but his secretary said the job was to do with the Steel Group subsidiary whose main plant is in Sunderland.

The Acrow publicity department could not confirm this and the Steel Group financial director, Mr. Dunlop, would not comment.

The job is for a qualified accountant with a record proving outstanding ability, who is abreast of modern techniques and has a strong personality.

For the year to March 31, Acrow (Engineers) pre-tax profit was £2.7m. (£2.62m.). The Steel Group subsidiary recorded a £477,218 loss (£2.31m. profit).

APPOINTMENTS

UNIVERSITY APPOINTMENTS

APPOINTMENTS WANTED

CLUBS

CORPORATION LOANS

EXHIBITIONS

PLANT AND MACHINERY

CONFERENCE HOTELS

CORPORATION LOANS

COMPANY NOTICES

Crane Fruehauf Limited

7 per cent. Debenture Stock 1986-91

Notice is hereby given that the transfer books of the stock will be closed from the 10th September to the September, 1973. Both dates are inclusive.

By Order Of The Board.

Begbie Pickering & Co., Registrars,
23 Bedford Row London WC1

Ford

BEARER DEPOSITARY RECEIPTS

Following the DIVIDEND DECLARATION by the Company on 1973. NOTICE is now given that the following DISTRIBUTION will be payable to Authorised Depositaries on or after 12th September, 1973 on presentation to the Depositary (as below) of Claim Forms (obtainable from the Depositary) listing Bearer Depositary Receipts.

Gross distribution per Unit	[illegible] cents
Less 15% U.S. Withholding Tax	[illegible] cents
	4.25 cents per Unit
Converted at $2.49	=£0.017[illegible] per Unit

DEPOSITARY:
National Westminster Bank Limited,
STOCK OFFICE SERVICES,
(2nd Floor),
41 LOTHBURY,
LONDON, E.C.2.
7th September 1973.

UNILEVER N.V.

4% Redeemable Cumulative Preference sub-shares of Fl.12 issued by N.V. Nederlandsch Administratie- en Trustkantoor

First half yearly dividend for 1973 of 2% (Fl.0.24) Serial No. 54 will be paid on and after 1st October, 1973. To obtain this dividend certificates must be listed on listing forms obtainable from one of the following banks. The listing form includes an undertaking to mark the certificates which need not be lodged with the form.

Midland Bank Limited, New Issue Department, Austin Friars House, Austin Friars, London, EC2P 2HU.

Northern Bank Limited, 2, Waring Street, Belfast, BT1 2EE.

Allied Irish Banks Limited, Securities Department, 3-4 Foster Place, Dublin, 2.

Clydesdale Bank Limited, 30 St. Vincent Place, Glasgow.

Fuller details of the dividend may be obtained from the above named banks.

The Register of Certificates for these sub-shares will be CLOSED from 14th September to 28th September, 1973, both dates inclusive.

Exchange of Original Shares for Certificates of sub-shares and vice versa after 14th September, 1973, will be on "Ex Dividend" basis.

N. V. NEDERLANDSCH ADMINISTRATIE- en TRUSTKANTOOR

London Transfer Office, Unilever House, Blackfriars, London, EC4P 4BQ. 7th September, 1973.

4% Redeemable Cumulative Preference Original Shares of Fl.1,000 and Sub-Shares of Fl.100.

The dividend will be paid against surrender of Coupon No. 54. Coupons should be sent to one of the Paying Agents in the Netherlands accompanied by an income tax form for relief from Dutch tax obtainable from Midland Bank Limited, New Issue Department, Austin Friars, London, EC2P 2HU, from which fuller details of the dividend may be obtained.

BEECHWOOD CONSTRUCTION (HOLDINGS) LIMITED

NOTICE IS HEREBY GIVEN that with effect from 1st September, 1973, Barclays Bank (London and International) Limited are the Appointed Registrars of the Company on and from which date the Register of Members will be domiciled at:—

Barclays Bank (London and International) Limited,
Radbroke Hall,
Knutsford,
Cheshire, WA16 9EU.
Telephone No. Knutsford 3888
Telex 669234 Barrad Knuts.

By Order of Board,
K. B. FERGUSON,
Secretary.

EDGAR ALLEN & CO. LIMITED

NOTICE IS HEREBY GIVEN that the Registers of Holders of the 5% Cumulative Preference Shares of £1 each, fully paid, will be closed from the 27th to 28th September, 1973 inclusive, for the purpose of preparing Dividend Warrants for the half year to 30th September, 1973.

By Order of the Board,
J. K. WARBURTON,
Secretary.

Sheffield Road,
Sheffield S9 1RA.

HEPWORTH CERAMIC HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books for the 10.4% Debenture Stock 1992/97 of the above named Company will be closed on the 24th and 25th September 1973 for the preparation of Interest Warrants.

J. BIRTWHISTLE,
Secretary.

Genefax House,
Sheffield S10 3PJ.

PIRELLI GENERAL CABLE WORKS LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the 5½% and 7% Second Debenture Stocks will be closed for the preparation of interest warrants from the 17th to the 30th September 1973, both dates inclusive.

By Order of the Board,
D. T. C. POLLOCK,
Secretary.

LEGAL NOTICES

PREVENTION OF FRAUD (INVESTMENTS) ACT 1958

Notice is hereby given that:—

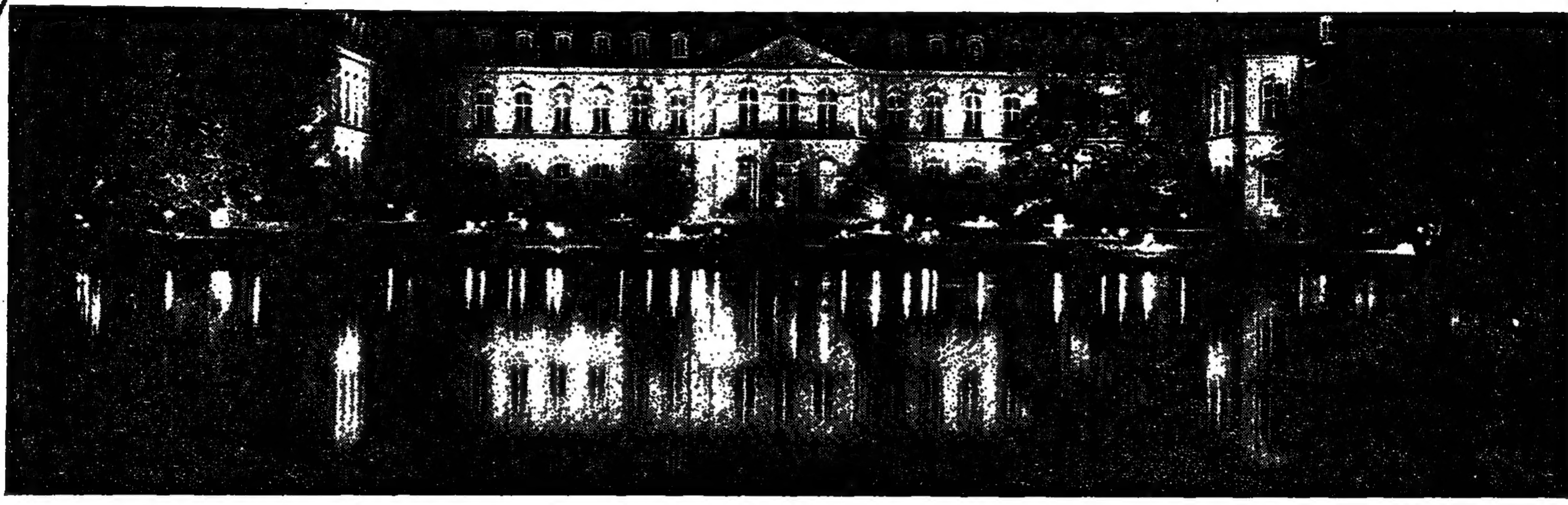
1. Rutland Guarantee Limited of 45 St. James's Street, London S.W.1 (formerly of 36 St. James's Street, S.W.1) has relinquished the Principal's licence issued pursuant to Section 3 of the Act.
2. Rutland Guarantee Limited has made application to the Department of Trade and Industry pursuant to Regulation 5 of the Prevention of Fraud (Investments) Deposit Regulation 1944 (S.R.&O. 1944 No. 541) for the release of the securities deposited in pursuance of Section 4 of the Act.
3. Any persons having a claim on the funds representing the deposit should send their names and addresses and details of their claim to the Assistant Secretary, Insurance and Companies Department, Department of Trade and Industry, Sanctuary Buildings, Great Smith Street, London, S.W.1, not later than Friday, 5th October, 1973.

ART GALLERI…

CINEMAS—(C…

A publication of the Bosch Group. Project: an S8 cine camera with automatic time exposure control.

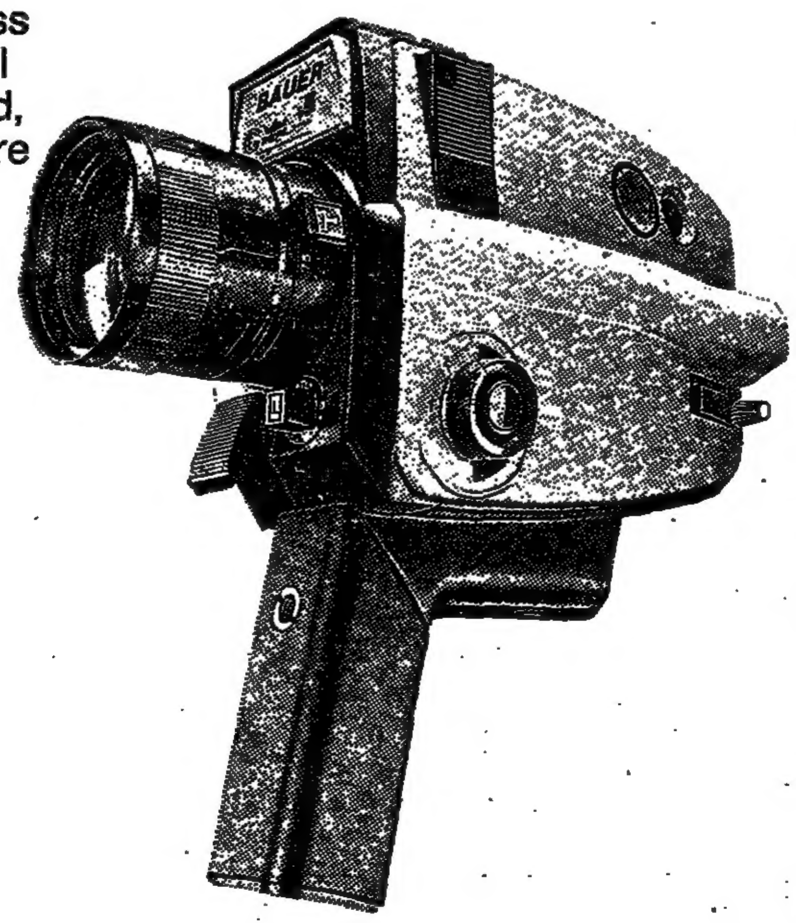
Automatic time exposure and electronically-controlled film feed. Or, how the Bauer Royal cine camera lets you film at night.



How many amateur photographers have regretfully had to pack away their cameras at the very moment when the subject was at its best but there was no longer enough natural light for filming?
The normal exposure time must be increased considerably when the light is poor or at night, and this is precisely what the Bauer time exposure mechanism does. It measures the subject brightness by means of a photo-electric cell while the frame is being exposed, determines the required exposure and automatically makes the appropriate adjustment to the camera shutter mechanism.

Has any amateur photographer not at some time had that longing to record on film a particular scene which impresses him more than usual? The interior of a church perhaps? Or in a castle or museum. But always without any artificial light, of course.

There are possibilities outdoors too at dusk or during the night. Moon and clouds, city streets at night, shop windows, illuminated buildings and fountains, lights on the water and many others. But the problem is usually the same — too little light.



This is where the Bauer automatic time exposure mechanism, developed by Robert Bosch Photokino GmbH, comes to the rescue. It exposes each frame for exactly as long as the conditions require. This means fewer but better frames.

It works like this:

- A folding photo-electric sensor (a CdS cell) measures the brightness of the subject during each exposure.
- The required exposure time is calculated automatically from the light reading.
- An appropriate triggering signal is fed to the electronically-controlled film drive so that each frame is accurately exposed.

Since the automatic system exposes the frames individually, which means that the exposure time varies, it is difficult to correlate the filming time with the duration of the projected scene. So Bosch have added a preselector to the automatic exposure mechanism. When the required projection duration of scene has been shot — up to a maximum of 14 secs — the preselector switches off the camera with the iris diaphragm closed.

Naturally, the Bauer Royal camera also has all the other features expected of a modern, high-quality instrument in addition to the automatic time exposure control and preselector. Zoom lens with macro adjustment, power zoom, large reflex viewfinder with crosswires focusing, exposure meter unaffected by variable battery voltage, single-frame and slow-motion facilities, remote control, automatic fading control, double-exposure mechanism, synchronised flash contacts, common start/stop switch for camera and tape recorder.

And it is relatively small, relatively light and absolutely reliable. Thanks to a successful combination of precision engineering and electronics.

Reference:
„Langzeitautomatik an S8-Kameras" (An automatic time exposure mechanism for S8 cameras) by G. Kühne. (Photo-Technik + Wirtschaft 5/73)
Available from: Robert Bosch GmbH, Abt. WEB
7 Stuttgart 1, Postfach 50, W. Germany

Bosch Group
research – results – realisation

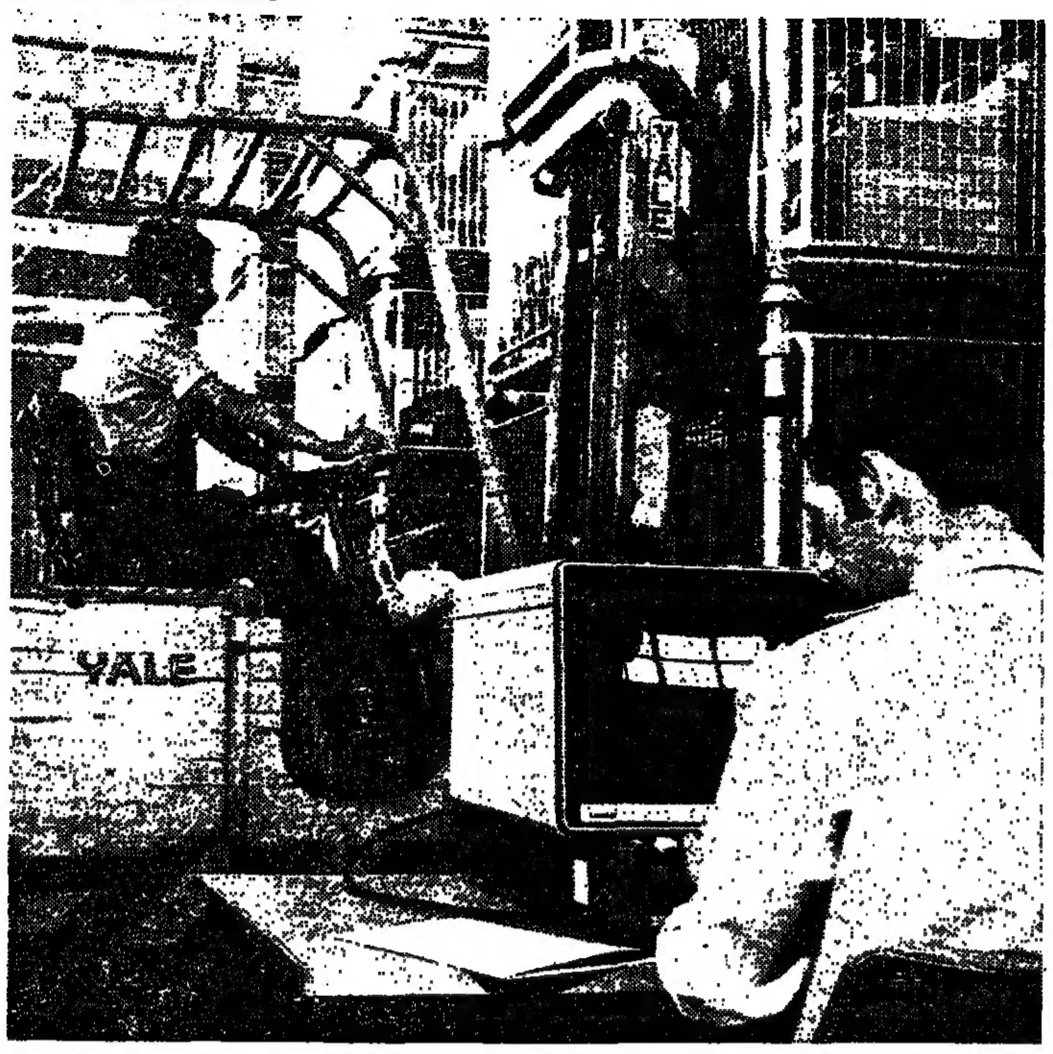
5,300 Research and Development employees in Germany. DM 271 million research budget in 1972. More than 15,000 patents and patent applications.

BOSCH Group

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● AUTOMATION



This is one of the business ends of what will probably be the biggest stock control system to be implemented in Britain for several years to come. It forms part of the RAF supplies control service which will eventually be extended to more than 100 bases in Britain, all of which will be linked into a central data processing complex at Hendon. At this particular station, 40 of the Cossor displays such as the one shown in the foreground are used immediately to record stock outgoings as aircraft, vehicles and so on are serviced or repaired. As stocks are removed from the shelving and placed on the forklift truck, their coded descriptions are typed on the display keyboard and, after verification, transmitted over P.O. lines to Hendon where two big ICL computers constantly update magnetic "catalogues." Eventually, more than 1,000 Cossor displays will be used and the whole system will be on line by early in 1974. The overall contract, masterminded by a software system comparable with that used in the LACES customs document scheme at London Airport, was of the order of £5m.

Controls a wealth of process plants

ICI, who pioneered process plant control by computer in Europe, has just ordered its thirteenth K70 process control system from Kent Automation, bringing the total value of orders placed for this equipment in the last three years to more than £1m.

K70 has been developed in a number of forms by Kent Automation, Luton, member of the George Kent Group, and more than 50 have been applied to process control in many industries throughout the world, including France, Switzerland, West Germany and the U.S.

ICI's latest K70 system is to go into Wallerscote Works and will be used to control part of the soda ash production process. A dual K70 system is already in operation at Wallerscote, recently completing a successful first year of operation.

K70 systems are supplied complete with fully tested software packages to meet the batch and continuous control requirements. A particular feature of the system is Prosel—a language developed by Kent for batch processing and sequencing, now in use in the majority of ICI K70 installations.

Using Prosel, process specialists are able initially to write and subsequently to develop their own plant control programmes in the language. This facility was an important factor in the successful installation of ICI's first K70 system—at Organics Division, Burn Hall Works, Lancs., in 1969 to control a single product, batch chemical plant. Reliability has proved extremely high on this installation, despite continuous 24-hour operation in difficult industrial conditions.

Subsequent K70 installations have extended the system's application to the control of ICI plants for plastics and chemical manufacture in Australia and the U.S. as well as the U.K.

The largest K70 installation undertaken by ICI is the multi-machine complex at Organics Division, Huddersfield. A management computer with high-speed data links to two separate K70 systems controls a new batch dyestuffs plant. Prosel language provides the basic framework of the K70 sequencing system and, in co-operation with Kent Automation Systems, ICI engineers have formulated an hierarchical approach to the complete process.

CRT displays are used for operator communication, and a disc system on the management computer allows retrospective analysis of plant performances and the transfer of all recipe information to the K70 system. In line with general ICI philosophy, this system has limited back-up facilities and therefore reliability is critical. Consistently high reliability figures on-line have, however, justified the approach.

A more recent K70 installation on the same site will shortly bring the associated feedstuffs plant under computer control. Here again Prosel has been used by ICI to define the overall control sequences on the process.

Meanwhile, Kent Instruments the group's main process control subsidiary in the George Kent Group, is participating in the International Chemical Plant Engineering Exhibition being held in Tokyo, Japan, October 8-13 with a view to extending its collaboration with Japanese contractors in various parts of the world.

The most recent instance is a £200,000 instrumentations contract for extension to Mobil's Durban (South Africa) refinery through Chiyoda Chemical Engineering and Construction.

Kent Instruments is showing a large number of process control instruments including Flexel electronic and Flexair pneumatic controls, Deltapi E electronic and Deltapi N pneumatic differential pressure transmitters, Veriflux magnetic flow equipment, and the latest Kent turbine meter units together with their associated electronic instrumentation.

● INSTRUMENTS

Will gauge and analyse vibration

A LOW cost easy-to-use means of comparing the vibration levels of machine tools on a routine inspection basis, as a pre-fault maintenance tool, has been introduced by Environmental Equipments of Eastheath Avenue, Wokingham, Berks., RG11 2PP.

The instrument, called the model 2100, has a self-generating transducer and gives direct readings in displacement, velocity and acceleration.

A wide-band pre-set filter (10 to 1000 Hz) allows for making measurements of velocity in accordance with DIN and ISO recommendations and the all-pass acceleration bandwidth is 1 Hz to 60 kHz which enables measurements of bearing noise to be made. Wide-band noise can often give an indication of bearing wear and the method is becoming increasingly recognised as a means of revealing abnormal bearing friction.

The equipment is supplied with a low output impedance piezo-electric accelerometer claimed to be extremely robust and virtually unaffected by magnetic fields up to several thousand gauss.

Because of the wide frequency range capability of the input signal, the analyser has a tuned filter covering a frequency range of 1.5 Hz to 15 kHz. Tuning dial calibration is to ±2 per cent. Two selectivity positions of Q=10 and Q=20 allow for search and for tuning in to signals with interfering signals very close to the one required.

The analyser is in a case measuring 280 x 180 x 300 mm and the accelerometer is a 150mm stainless steel probe.

Analysis of gases and liquids

THE CONCENTRATION of many constituents of industrial gases and liquids can be determined continuously by the Limas industrial ultra-violet photometer available from Hartmann and Braun (U.K.), Moulton Park, Northampton.

Two versions of the instrument are available designated F and G. They are of the same design except that the F model incorporates infra red band filters and a lead sulphide photoconductive cell with temperature compensation is used as a receiver.

This analyser is used for the determination of organic compounds whereas the Limas G, in which a vacuum photo-electric cell acts as a detector, is used in determining the concentration of chlorine, chlorine dioxide, nitrogen dioxide and mercury.

The principle on which the analyser operates is the varying absorption of ultra violet radiation caused by the gas or liquid under investigation.

● PRODUCTS

Trimming brittle plastics

A MACHINE that will cut printed circuit boards and other plastics to within a tolerance of 2/100mm on a length of 400 mm has been introduced by Micor, 51-53, City Road, London EC1Y 1AY.

The machine is said to give a fine finish without chipping the edge of the material. Known as the PL-855 saw trimmer, it has a 150 mm tungsten carbide tipped circular saw blade and is designed for accurately trimming sheet materials up to 850 mm (33 inches) in length. The machine is also suitable for cutting name plates and pvc, acrylics, resin-bonded materials and glass fibre up to a thickness of 29 mm can also be used for cutting at any angle up to 60 degrees.

Height of the saw blade is infinitely adjustable by turning a hand wheel on the front of the machine. By this means, the operator can ensure that the blade does not project more than necessary beyond the thickness of the material being trimmed. The saw blade height adjustment also allows narrow grooves, recesses and slots to be cut in various materials.

The machine is powered by 1.5 h.p. electric motor which operates the saw spindle through a belt drive. Saw spindle speeds are 3,500 and 5,300 rev./minute.

Technology backed by EED

MAJOR investments in three British companies, one specialising in advanced medical products, one in machine tools, and one in the manufacture of advanced electronic systems for aiding handicapped people, are being made by European Enterprises Development (EED), the European venture capital company.

The companies are: Lyo Research, Sittingbourne, Kent; Dowding and Doll, Chandler's Ford, Hants.; and Zambette Electronics, Shoeburyness, Essex.

The main product of Lyo Research is Lyofoam, a surgical dressing made from a non-toxic polyurethane foam which has by a special treatment been rendered capable of absorbing blood and wound exudates and of isolating them from the wound at the same time (that is it is hydrophilic). Thus Lyo reckons to be able to make significant inroads into the U.K., U.S. and European markets for wound dressings.

Dowding and Doll manufacture a line of automatically controlled machine tools for the sheet metal industry and, through its subsidiary, Pierce-All, offers a range of complementary manually controlled machines for the sheet metal industry.

Zambette Electronics' main initial product is a control system based on an extremely sensitive capacitive switching device which enables any person, however handicapped, but with mental faculties, to carry out unassisted a variety of basic and important functions.

Small size high field

AN ALTERNATIVE to the conventional electromagnet in high-field applications is the cryomagnet system type CMD 30 now being offered by Oxford Instruments of Osney Mead, Oxford OX2 ODX. Simplicity of operation and sample handling, small size and versatility are the particular features claimed.

For example the straight-through, room temperature bore in a short cryostat simplifies sample mounting. The use of a single service chimney allows substantial space for the addition of top or bottom loading low-temperature inserts or high-temperature furnaces. A vacuum system and consumables, liquid helium and nitrogen are all that is required for operation.

The CMD 30 comprises a basic cryostat with straight-through, room temperature bore, any one of the many standard NbTi superconductive solenoids from 4.0T to 11.0T in field strength, and standard electronic and cryogenic instrumentation.

High density terminals

AN ALMOST infinite number of assembly choices is claimed for a range of high-density 10 mm rail-mounted screw-clamp terminals recently put on the market by Channel Electric Equipment of 18, Cross Street, Reading, RG1 1BR. They use a snap-on assembly technique, and there is a full range of accessories including clamps, shunt strips, earth continuity strips, plug-in links, test probes, covers and identification markers.

Three types are available covering 10A (type 130000), 15A (type 126000) and 20A (type 126600) current ratings. The 130000 types are miniature units which will accept cable sizes down to 1 square mm. in area. The 20A 126600 will accommodate cables up to 3.39 square mm. All types use spring loaded compression plats for maximum cable security. Types 130000 and 126000 can also be supplied with solder tag or wire-wrap terminations as required.

● TRANSPORT

French push on with air cushion hovertrain

WHILE Minister and Select Committee in Britain are locked in an unseemly squabble on the fate of the British Tracked Hovercraft project, France's Aérotrain company is quietly pushing on with its high-speed test project involving a full-scale 90-seater vehicle to run at speeds up to and over 400 kph.

This is the same equipment as Aérotrain already has extensively tested on the 18 km. track built near Orléans at speeds of over 300 kph, power being supplied by a large ducted fan and support by an air cushion.

The new propulsion will consist of small sh jets, one mounted each the tail. Tests should the end of this year.

Meanwhile, the French Railways appear to be their initial distrust of the train project since they given Aérotrain a contr study the possibility of ing the existing overhea as far as Paris, a dista 116 km. from Orléans.

● COMMUNICATIONS

Inductive loop system

BATTLE HAS now been joined in the inductive loop in-house communications system market in the U.K. by the Swedish company Sonab. The company has appointed Blick National Systems, Benjamin Street, London EC1 5JQ as agents for a system with two-way speech capability, capable of accommodating up to 900 units each measuring 4¼ by 2¼ by ¾ inch. The pocket devices are powered by nickel-cadmium cells.

Each unit can call or be called by a central control or by up to eight special telephone control points throughout the area covered. The mobile units can also make contact with each other, with two-way speech.

With incoming telephone calls, the switchboard operator is able to tell any member of staff carrying a pocket phone who is calling him and the requirements. A reply relayed verbally by the without the recipient of needing to use a conve telephone. Of use to m or departmental heads group call facility which it is possible to co cate with a group of simultaneously, whereve may be.

The Sonab system, fully approved by the Post Office for connecti PABX, uses an inducti and has a charging rack each unit is automatic charged overnight or w user is absent. The rec process needs no plug or switching on and a ally acts as an in/out giving a special soundi to anyone who calls.

● HANDLING

Automatic weighing

UNTIL RECENTLY the weighment of materials has generally been performed manually, or at best, semi-automatically.

However, the demands of modern industry have made it necessary for manufacturers to seek means of increased throughput and more consistent products, and to meet this need a modular weighing control package has been produced by Instem of Stone, Staffordshire, designed around its flexible sequence controller, the Instep Plus.

The package is capable of controlling weighing cycles from a single weighment to the more complicated multiple weighment system with numerous checks and sub-routines. If affords the user a number of significant benefits, including increased product throughput, no material wastage, improved and consistent product quality, able savings in labour increased plant utilisati

The basic weighing provides a considerable of facilities including ment of over/under tolerances, zero toleranc feed cut-off point and feed cut-off point; tim tions on each step; full control of the weigh cyc ing single-step operati analogue weigher input.

A comprehensive optional facilities is offe the package. These printout, digital display ing actual weights weights, power fail pr memorising the step num status of the weigh cy gram, separate in-flight adjustments for material feeds and weigher input.

● DATA PROCESSING

Makes paper tape perfe

EXCLUSION of possible sources of error represents a considerable part of the working effort in data processing. In order to obtain true results, the collected data must be checked meticulously before it is processed further. The tape verifier LSP 4300, which has been developed by Sulzer, can be used for selective or complete check and correction of standard one-inch paper-tape punched in any code. Features of this new product are its simple operation, high efficiency and extremely low noise level. The design resembles a key-to-tape station (Flexowriter).

The data is introduced via a tape reader and an alpha-numeric keyboard, the data output by way of a tape punch. The operation is determined through the control code received by the reader from the punched input tape and the input at the keyboard. Faulty operation is signalled by means of lamps on the indicating panel and an acoustic alarm. If corrections become necessary, they can be made via the automatic illuminated correction key device operates in thr tional modes, namely "S reading over, "Dup" for tion and "Check" for the data.

In the "check" mode, is only passed to the out if the keyboard and tap agree with each other. correcting keys are prov typographical and readin

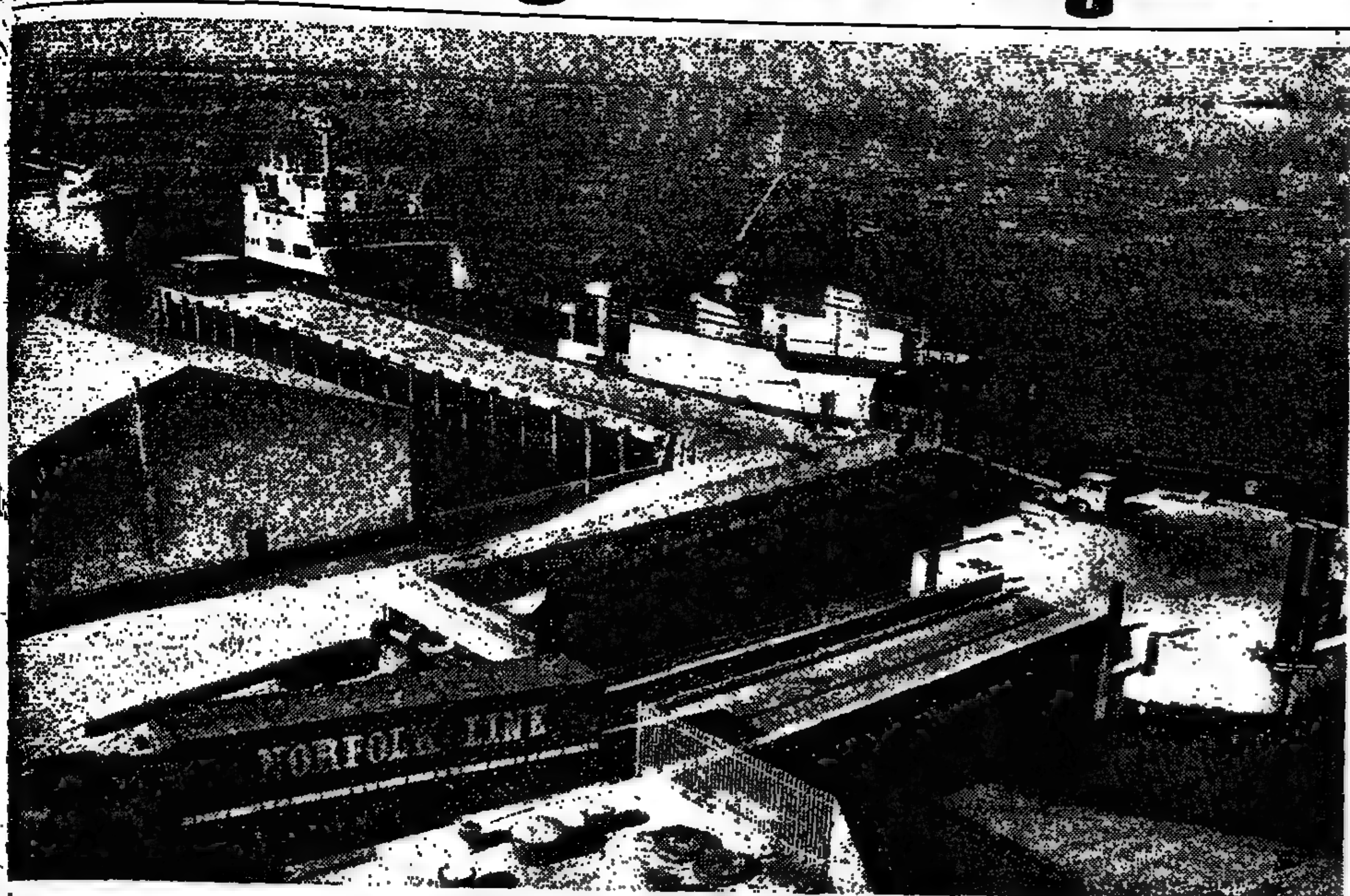
Symbols can also be omitted. The LSP 4300 successfully tested for th ing of data of production systems. It can also be the processing of texts a for NC-machines.

Sulzer operates fro Winterthur, Switzerland.

● By agreement betw Financial Times and th information from The T Page is available for use Corporation's External as source material for seas broadcasts.

هكذا من الأصل

Building and Civil Engineering



The Sheerness roll on-roll off terminal constructed by Costain Civil Engineering for the Medway Ports Authority is now fully operational. A joint design concept by Costain and consulting engineers Walter C. Andrews and Partners, the terminal is unusual in that it is carried up and down on the tide by floating pontoons of reinforced concrete.

£10m. scheme for Sutton centre

STEAD INVESTMENTS is to carry out a £10m. central area development in two phases at Sutton in Surrey. It will provide a total floor space of over 200,000 square feet and is located on a 1.5 acre site in one of the prime shopping areas of the town.

The first stage will consist of a covered shopping centre which with 115 feet of frontage on to the High Street, will provide two large supermarket/department stores and 17 shops. The second phase will provide 100,000 square feet of air-conditioned office space.

Sutton Borough Council plans to make the High Street a pedestrian precinct in due course and the shops will be serviced from a first floor deck. Pedestrian access will be via an escalator into the heart of the shopping area from the Corporation multi-storey car park, situated at the rear of the development.

Building work is expected to start in mid-1974 with completion late in 1975.

Standard grading of timber

THE BUILDING industry's desire to buy timber as a structural material with precisely known characteristics, common to timber from all suppliers, can now begin to be realised with the publication of a new British Standard.

Using the new Standard—BS 4978: 1973, Timber grades for structural use—some timber suppliers will shortly be grading their softwood precisely into strength and quality categories using stress grading machines and supplying it marked with the BSI Kitemark.

As well as laying down criteria for machine stress graded timber, the Standard also introduces a major change in the method for visual stress grading of timber. This is the "knot area ratio" (KAR) method of assessing the effect of knots upon strength—also used in North America—which supersedes the knot size and position method used in BS 1860.

The Timber Trade Federation points out that, because of the involvement of the exporting countries in the preparation of the Standard, it promises to provide a reasonable basis for an international agreement on common European structural grades. Also, although the grading rules deal primarily with softwood, they have equal validity for hardwood.

Greenham expands overseas

MAJOR MOVES to expand its plant hire service in the U.K. and overseas are being made by Greenham (Plant Hire) of Isleworth, Middx.

An offshoot of the Taylor Woodrow Group, Greenham has just contracted to buy £1½m. worth of used equipment from Purchase. This includes four Manitowoc 4100 cranes, and a variety of other cranes including a Manitowoc 4000 which, the company asserts, means it will hold the largest hire fleet of these cranes in the country. All crawler cranes will be controlled from the company's specialised division at Aldridge, Birmingham.

The company has 23 depots in the U.K. offering about 1,000 different items of equipment for hire, and it is now turning its attention overseas.

One of the first moves, it is believed will be a link-up with a French company.

Mr. Brian Trafford, Greenham's chairman, said last week that he was confident that there were many opportunities overseas for plant hire specialists and he said that his company was now working for operation on a world-wide basis. A team was, for instance, going to the U.S. to follow up enquiries.

Ordnance survey fears

THE INSTITUTION of Civil Engineers has again expressed anxiety over proposed changes in Government policy on Ordnance Survey maps.

This time the Institution has sent a letter to the Director-General of Ordnance Survey objecting to possible cuts in the areas to be covered by large-scale maps and in the detail of map content. The following points are outlined:—

1. Civil engineers think that the 1:2500 scale should be the objective for the whole country, except for urban areas covered by the 1:1250 scale. 2. The 1:10000 which has been suggested as a possible alternative to the 1:2500 in some areas is not a satisfactory substitute for civil engineers. 3. The 1:25000 scale maps—commonly referred to as 2.5 inch to the mile—are very useful to engineers in the early stages of planning works.

Last month the ICE sent a letter to Mr. Geoffrey Rippon, Secretary of State for the Environment, calling on the Minister to reconsider his decision not to show tertiary bench marks on Ordnance Survey maps, but to charge a fee for routine tertiary levelling.

CONSTRUCTION OVERSEAS

Bovis Construction aims at Europe

EXPORTING PROJECT management to Europe—that is the ...me aim of Bovis Construction's decision to sell its fee-...ed system abroad.

In 1971 when it became fairly obvious that Britain was going to join the EEC, Bovis Construction decided to take a look in depth at the building scene in the then Six.

The main conclusion of its efforts was that—for the time being at any rate—the company would not be going out as a builder, but that it did have a contribution to make for English-speaking clients who wanted to ...and on the Continent.

Bovis Construction is one of the principal operating companies of the Bovis group, which, historically, has not been heavily involved in building and civil engineering work overseas.

Apart from property and housing activities in Europe, the group's main overseas investments are in Canada and South East Asia.

In 1970, Bovis acquired a majority holding in Gunnar Mining, a diversified Canadian company whose main activities centred on heavy civil engineering and mining. The company's name was changed to Bovis Corporation and it has since broadened its sphere of operations into the property, housing and financial fields and away from its former reliance on heavy construction activities.

The same approach was adopted in South East Asia, where Bovis now has a 33 per cent. stake in Gammon South East Asia Berhard, a Singapore-based civil engineering company. It has introduced the fee system to the area and, according to Bovis, the inflow of new business is encouraging.

Legal systems

Caution is the key word to Bovis Construction's launch into foreign involvement. As the company points out, it is easier for U.K. contractors to work 8,000 miles away in Singapore (for example) than 20 miles across the Channel, for the legal systems of the ex-colonies are based on British law and contractual relationships are similar.

As a newcomer to overseas activity and with its adamant refusal to tender for contracts, Bovis Construction obviously offers a different kettle of fish to other companies featured in this series.

Acting either as consultant, managing contractor or project manager, Bovis Construction aims to market its successful U.K. formula above all in Belgium, Holland, West Germany and France.

So far the company is involved just in Holland on a hotel project for an English-speaking client, and thanks to Bovis Construction, the contract period is only 32 months against 48 months offered by a Dutch contractor.

The biggest difference on the Continent, Bovis Construction believes, is that there is no efficient cost control system as provided in the U.K. by the quantity surveying and cost consultancy professions.

In West Germany, Bovis Construction found that the shell of a building gets erected very quickly, but that since the architect co-ordinates the subcontractors and a main contractor is virtually unknown, it then takes up to three times as long as in the U.K. to complete the project. In a period of inflation and high land values, the time element of a big contract is becoming increasingly important.

The company discovered that in Holland and Belgium the co-ordination of mechanical and electrical services into a building receives little attention. Italy is low on the list of priorities because it possesses a highly efficient contracting organisation which is itself strong internationally.

Bovis Construction feels that its approach is offering a service to European countries by providing work for indigenous contractors, rather than poaching work by actually building. In addition, English-speaking developers will be more at home with a company whose methods and reputation they know.

Large commercial and industrial projects lend themselves to the fee system (which Bovis Construction admits is less well known in Europe than in the U.K.) and although work is on hand only in Holland at present, the company will be acting for its own property division in France and is involved in negotiations in Germany.

Retail stores

Bovis Construction, with its traditionally close involvement with Marks and Spencer, sees sophisticated stores as a specialised strong point which could be taken up in Europe. Joint project management is also a successful formula and the company has had talks with European counterparts on this basis.

The company does not rule out the possibility of extending its activities outside Europe, but for the next two years at least, this area will be the focus of attention. Bovis Construction is endeavouring to offer a different service, but that service must prove a success before it is exported further afield.

JOHN DARLINGTON

Hepworths, the multiple tailor, has just moved into this new administrative office block which marks completion of the first stage of a more than £2m. redevelopment of the company's headquarters site at Claypit Lane, Leeds. Subsequent phases of the project costing £1m. will include a multi-storey warehouse and internal and external refurbishment of the 19th century fabric of the existing factory. Main contractor for the building was Higgs and Hill (Northern).

Nigerian market

CONSULTING ENGINEERS for a £1m. market hall complex in the Surulere district of Lagos, Nigeria, for the Lagos State Government, are Allstair McCowan and Associates of Yorkshire.

Claimed to be one of the largest of its kind in Nigeria, the two-storey reinforced concrete frame will support six acres of corrugated asbestos sheet roofing and will provide a bank, post office, livestock area and 50,000 square feet of car parking, apart from normal market facilities.

Construction is expected to last two years and architects for the project are Joint Design Partnership of Lagos with main contractor Harboni Brothers Company, operating in Nigeria.

Biting into excavator market

THE Ford Motor Company's avowed aim to become a major competitor in the construction equipment field has been reinforced this week by its announcement that it is putting two track-mounted hydraulic excavators on the market.

This follows the take-over of the French company Richier SA. in April last year, a company specialising in the production of equipment for the construction industry.

Both machines are powered by Ford four-cylinder diesel engines the H42 using the 75 bhp version and the H44 a turbocharged 94 bhp engine.

Ford says that it has plans to enter the four-wheel shovel loader market within the next two years.

In brief

C. V. BUCHAN, a member of the Leonard Fairclough group, will construct open cut trenches for Phase Two of the northern area sewer for the Telford Development Corporation at a cost of about £1.78m.

A NEW 80-bed hospital to replace the existing building at St. Anthony's Hospital in London Road, Cheam, Surrey, is to be built by John Laing Construction under a £1m. contract awarded by The Daughters of the Cross of Carshalton.

A £1.2m. contract for rebuilding a two-storey factory block at Longbridge, Birmingham, has been awarded to Tarmac Construction by British Leyland. Construction time is 27 months.

THE TRUSTEES of the Savings Bank of Glasgow have awarded a £827,000 contract to Sir Robert McAlpine and Sons for the complete modernisation of the bank's head office—a "listed" structure—in Ingram Street, Glasgow.

ERNEST IRELAND is to build a £2.4m. office block in Plymouth for Western Credit Holdings which, it is claimed, will be the first fully air-conditioned private office block in the county. Completion is expected by July 1975.

REMEDIAL WORK currently on hand at the Iron Bridge at Ironbridge, Shropshire, will not now be completed this season because of unseasonal flooding and constructional problems. Operations will be suspended at the end of October and the work will be finished during next summer.

WHATLINGS (OVERSEAS), part of the Glasgow-based construction group, has won a building and civil engineering services contract in Gibraltar from the Department of the Environment valued at £500,000 annually for two years. Whatlings has maintained a permanent office in Gibraltar for 16 years.

CONFERENCES

Techniques and materials

A JOINT conference — "New Paths to Building Efficiency"— has been organised by the Department of the Environment's Property Services Agency and the National Federation of Building Trades Employers. It will take place on Wednesday, October 31.

Objectives of the conference will be to discuss future opportunities facing the industry using techniques and methods, such as system building, now undergoing fundamental changes. Special attention will be paid to means of overcoming shortages of skilled labour.

Speakers will include Sir Maurice Laing (chairman, John Laing Construction); Mr. Peter Trench (chairman, Y. J. Lovell Holdings) and Mr. A. W. Cleeve Barr (managing director, the National Building Agency).

The conference, to be attended by clients' professional advisers and contractors, will be held at the new NFBTE conference centre, 82 New Cavendish Street, London W1 8AD.

● The programme for the Fourth National Building Maintenance Conference at the Royal Garden Hotel, London, on November 21-23, has now been completed. Overall theme of the conference is that of challenge to the building maintenance manager. Information and application forms for intending delegates are available from Mr. John Whall, director, NBMC, 886 High Road, Finchley, London N12 9SB.

● A one-day symposium on "Automation and building component manufacture" will be held at the Building Research Station, Garston, Herts, on Wednesday November 14.

The manufacture of building components may be subject to the variability and uncertainty of demand generally characteristic of the building industry. Techniques such as demand forecasting, studies of production/inventory system dynamics and "automation" may be able to make component production processes more efficient.

More information and application forms from:— Mrs. E. Mozley, Application Planning Section, Building Research Station, Garston, Watford WD2 7JR.

Waterways kept clean

A pontoon-mounted hydraulically controlled silt dredging machine, designed for the removal of sediment, organic waste and accumulated debris from the beds of rivers, lakes and canals has been included in the specialised contract pumping activities of Ground Water Services, Edinburgh Avenue, Slough, a wholly owned subsidiary of Henry Sykes.

Known as the "mud cat," the equipment comprises a shallow draught flat bottomed craft on which is mounted an adjustable boom fitted with an auger type cutting head. As the craft, attached to a guide cable, is passed over the bed, the head cuts into the sediment, directing it into the inlet of a powerful solids handling centrifugal pump through which it is then discharged along a floating delivery line to a convenient inland point.

The equipment can operate down to a depth of 10 feet 6 inches. Its cutting head can cut 7 feet 6 inches wide and is designed to remove up to 18 inches of sediment at each pass. It is fitted with an adjustable mudshield which traps the spoil as it is disturbed. The cutter itself comprises two single flight augers, horizontally opposed, to feed material to the centre where the pump inlet is located.

The pump is of the closed impeller centrifugal type, having suction and delivery openings arranged for eight inch connections. It is designed to pass solids of up to 3¼ inches. The pump is driven by a silenced 175 h.p. Detroit diesel engine which also supplies power for the hydraulic circuit serving the auger cutter, cable winch, sluice valve and double acting rams to boom assembly and mudshield.

Two hydraulic systems are employed; these are interchangeable and, if required, may be adjusted to provide increased power to the cutting head.

The "mud cat" may be launched directly from its trailer, or off-loaded by crane. Once in the water it is secured and guided by a steel cable passing through the winch on board and attached to adjustable shore lines. A variety of systems are used to enable the main cable to be moved laterally as cleaning progresses.

Treatment deal with S. Africa

A LICENCE arrangement for the manufacture and sale of Crystalair package sewage treatment plants and systems in South Africa has been concluded between Ibis Letts of Brentwood, Essex, and Central Installation Works (Cape) of Cape Town.

South Africa is traditionally an important export market for Ibis Letts' parent company, the Ibis Group of Kendal (Westmorland), in the field of laundry and clothing manufacture equipment.

The new agreement with C.I.W., a Dutch-owned company of contractors and suppliers to the building industry, represents a further stage in the expansion and diversification of the Ibis Group. Both companies have strong links with hospital engineering and C.I.W. expects these to be reinforced by the addition of Crystalair equipment to its range.

Two current types of Crystalair plant—one prefabricated and one site-erected—are covered by the licence. Both employ the odourless extended aeration principle of sewage treatment to produce a high standard final effluent.

Model bill produced

FOR THE first time a model bill of quantities for the electrical installation industry has been compiled and published by the Electrical Contractors' Association.

The final document, after many months of detailed study and deliberations, was produced in consultation with the Royal Institution of Chartered Surveyors and is thus fully endorsed by the professional quantity surveyor.

The main objective of the bill—which comprises three main sections dealing with preliminaries, preambles and measured works—is to ensure that electrical contractors receive an operational bill on which to price their tenders more accurately and to facilitate the better planning and more efficient carrying out of installations.

The model bill is available from the E.C.A. at 55 Catherine Place, London SW1E 6ET or from the R.I.C.S. at 12 Great George Street, London SW1P 3AD at £3.50 per copy.

Finding the best bricks

A TECHNICAL MANUAL and wall chart illustrating the wide range of appearance and facing bricks produced by Redland Bricks have been published by the company.

The manual contains 12 grids providing a selection of mortar colours, for use in conjunction with the brick illustrations to show the effect of using different brick and mortar colour combinations.

Designed as a primary selection tool, the manual will have a limited distribution to specifying architects and designers, and possibly developers.

Further information can be obtained from the Redland Brick and Mortar Advisory Service, Graylands, Horsham, Sussex.

Consultancy agreement

JOHN DOSSOR and Partners, U.K. consulting civil and structural engineers, have entered into a consultancy agreement with the Belgian consulting engineers, Etudes et Recherches Industrielles (ERI).

Under the terms of the agreement, the two firms will collaborate in the design of trade and domestic waste treatment schemes on the Continent. They will also supervise the construction of such schemes and, when the occasion demands, the U.K. firm will provide competent personnel to ensure that a scheme is operating at peak efficiency before it is handed over to the client.

ERI, a subsidiary of Societe Generale de Banque of Brussels, has handled major fertilizer, petrochemical and allied process plants in 25 different countries.

Distillery for Bell

HOLLAND HANNEN and Cubitts (Scotland) has started work on two contracts worth £1m. for Arthur Bell, the whisky distiller.

The larger of the two contracts, valued at £570,000, is for the construction of a new distillery complex at the company's Pittyvaich Distillery, Dufftown. The work includes a still house, filling store, cask store, warehouse and a water main connected to a natural spring some three miles from the distillery.

At East Main, near Edinburgh, Cubitts is building extensions to Bell's blending and bottling store.

THE FINANCIAL TIMES
(Established 1888)
Incorporating THE FINANCIAL NEWS
(Established 1884)

Head Office Editorial & Advertisement Offices:
BRACKEN HOUSE, CANNON STREET, LONDON, EC4P 4BY.
Telephone Day & Night: 01-248 8000. Telegrams: Finantimo, London
Telex: 886341/2, 883897

MONDAY SEPTEMBER 10 1973

Setback for IMF reform

THE FAILURE of the Committee of Twenty to make any progress on the reform of the international monetary system at their three-day meeting in Paris last week is obviously disappointing. It casts a cloud over the prospects for the Ministerial meeting of the International Monetary Fund in Nairobi later this month, and this in turn could unsettle the foreign exchange markets.

It is particularly disappointing for the U.K., since a postponement of monetary reform means a postponement of any international solution to the problem of the sterling balances. The Government has gained a breathing space with its extension of the dollar guarantee for official sterling holders, but it now seems less probable that an alternative arrangement will be found before the six months are up.

Political

But last week's deadlock need not be regarded as conclusive proof that no progress will be made at Nairobi. The technical problems involved in monetary reform are highly technical; but they are also intensely political, and it is not entirely surprising that the officials, after having made some progress in July, should have preferred to leave the real decisions to their Ministers.

George Shultz, the U.S. Treasury Secretary, was not altogether accurate when he claimed recently that the only purpose of an international monetary system was to facilitate trade and payments. Over the past decade the dollar standard has certainly fulfilled this requirement: what it has not done is to satisfy the distinct, and in some degree competing, interests of all the main participants. The purpose of reform is to give more balanced weight to these various interests, and in that sense the IMF negotiations are about the economic balance of power between the U.S. and the rest of the world.

A year ago the U.S. Administration was anxious that the dollar should be put on the same footing as other currencies. But when it comes to the crunch, it is obviously reluctant to forego the advantages of the dollar standard by a wholesale move to a system based on Special Drawing Rights, not least because the American balance of payments has recently been improving. It would no doubt be difficult to ban countries from holding dollar reserves, if they wanted to: but U.S. hostility to the principle of an SDR standard is regrettable.

On the other hand, the U.S. suggestion that the role of the Fund should be strengthened is important for its recognition of the political nature of the debate: if the dollar-based system was managed at all, it was managed by the U.S., and any meaningful reform of this system must include joint management responsibilities spread among the major participants.

Tokyo

It may be that last week's deadlock will turn out to be a last spasm of obstinacy by the officials, in the hope of improving their national negotiating positions at Nairobi, rather than a premonition of failure. But even the impression of deadlock is likely to throw a shadow over the launching of a new round of trade liberalising negotiations in Tokyo on Wednesday.

In principle, the Ministers are not expected to do more than adopt a fairly anodyne declaration which will allow the negotiations to get under way at official level. But one of the outstanding points of dispute is what link (if any) there should be between monetary reform and the trade negotiations. The set-back in the Committee of Twenty need not have any practical effect here, since the monetary reform could still be completed well before the end of the trade negotiations, which are due to last at least two years. But the psychological effect of continued deadlock at Nairobi could have damaging repercussions on the trade talks.

Mortgage rate dilemma

THE only factor that now seems likely to prevent an increase in the present 10 per cent. mortgage rate when the council of the Building Societies' Association meets on Friday is some last-minute intervention by the Government. To-morrow's meeting between the Chancellor and building society leaders should show whether such intervention is likely. The difficulty the Government has been facing in making up its mind on this question comes from the fact that the political and economic arguments are pulling in virtually opposing directions.

There would be a perfectly reasonable case for doing nothing and letting competition in interest rates work its full course. The rising cost and scarcity of mortgages has already led to a flattening in house prices and there are indications that builders are cutting back on their programmes for new houses for sale. Given the present shortage of building materials and the growing signs of over-heating in the economy, some reduction in the load on the construction industry might not be unacceptable. But a further rise in mortgage rates would intensify the squeeze on existing and would-be home buyers. True, inflation makes house purchase a good long-term bargain and one cannot ignore the fact that council rents are also due to rise this autumn. But no government can be expected to remain politically insensitive to mortgage rates rising into double figures.

Undesirable

It is not easy to think of suitable alternatives, however. The Government has itself ruled out a temporary subsidy along the lines of the three month grant it made to building societies in April in an effort to peg the rate at 9½ per cent. This was an undesirable move for many reasons.

Hidden dangers would also certainly lie in the remedy favoured by the building societies themselves. They want the Government to invoke paragraph 15 of the Bank of England's guidelines on Competition and Credit Control which envisages a curb on bank deposit rates if the flow of mortgage finance is jeopardised by bank competition. Before doing so, the Government would have to consider the position of the savings banks which also enjoy the protection of this paragraph.

Difficulties

But the main question is where would such intervention lead? Although the net inflow of building society funds has clearly declined since the last rise in bank deposit rates, it is virtually impossible to make a proper assessment of the effect of this competition. A limit on bank deposit rates could well hurt the small lender far more than the bigger man and it would certainly boost the banks' profitability, already a politically sensitive matter. The Government would be striking out into completely new ground and no one could foretell exactly what further distortions of the finance market would follow.

In searching for immediate palliatives, the longer-term implications ought not to be overlooked. With the rise in owner-occupation and house prices, the building societies need to win a much bigger share of the savings market than they used to. At the same time, short-term interest rates have become much more volatile, not only because of the new era of banking competition but also because of the growing internationalism of credit markets and the upsurge in inflation.

Politicians are rarely interested in long-term reforms at moments of crisis. But, if they and the building societies themselves let slip this opportunity to start thinking about changes in the structure and practices of the movement, further mortgage "crises" will be inevitable.

On the day Len Murray takes over at Congress House, **John Elliott**, Labour Editor, reports on the views and policies of the man who has been out of the limelight until Vic Feather retired last Friday.

The start of a long term at the top of the TUC

"I'VE GOT a mouth now—before I only had two ears," exclaimed the new general secretary of the TUC last Friday lunchtime as he suddenly emerged from the comparative obscurity of the assistant general secretaryship to take over what is one of the most difficult jobs in the trade union movement.

To-day Mr. Len Murray starts work in earnest on his new job at the TUC's Congress House headquarters near the British Museum while Mr. Feather starts moving out of the general secretary's suite of offices.

For the past four or five years, if not longer, it has been fairly certain that Murray would succeed to the top job this September. During that period he has had plenty of time to develop his theories about the job and the policies he would pursue.

Job changes the man

He has, however, had no chance of putting them into practice because the job of the assistant general secretary is essentially organisational — in fact his influence was probably greater in the preceding 15 years when he was secretary of the TUC economic department.

Throughout this time Murray has been regarded as a withdrawn man, more used to, and more useful in, backroom jobs than in the limelight—and as an economist more effective in a civil servant's than in a leader's role. But the job changes the man, and in Murray's brief public appearances on television and at a Press conference at the end of last week's Blackpool annual Trades Union Congress the note of authority was already apparent.

Industrial power

He is a tough man, with well-thought-out views which he puts forward with a firm conviction covering the wide range of topics on which a TUC general secretary is expected to pronounce.

Broadly he is anti-Common Market, pro-economic growth, but against wage restraint for its own sake. He is against restrictive labour laws but in favour of laws encouraging positive labour relations. He believes in talking to political parties about policies—both those in Government and those in Opposition—and firmly believes the TUC has a major role to play in the country's political, industrial and social life.

He is in favour of unions using their industrial power to force economic change in certain circumstances and to force managements to modernise outdated practices. He recognises and accepts the fact of shop-floor power and wants to see it effectively harnessed.

Unlike Feather, who was general secretary for only 4½ years, Murray at 51 can look forward to a potential 14 years (or maybe nine if he were to retire at 60) in the job. He will therefore not have to work at the wicked pace which Feather kept up and will have more time to find his feet among the conflicting policies of the TUC's various union leaders.

But he is being thrown immediately into a crucial initial test with the continuation of the TUC's talks with the Prime Minister in advance of Phase Three.

Here his economic views will be important. He regards the idea of continuing wage restraint legislation as "not on—it appals me." It "doesn't produce results except an explosion at the end of the day." On the other hand, he points out, the TUC has said many times that it is in favour of overall incomes restraint for specific purposes — maybe because of balance of payments problems or the need at a certain time to help a specific group such as the low paid or pensioners.

Collective bargaining

When taxed about the regular demand for the TUC and its unions to take voluntary action to persuade their members to restrain wage increases he exclaims: "Why are we always talking about stopping people doing things—I want to start them doing things. I want active collective bargaining to correct our existing low wage situation."

He doesn't dispute that unions and their members can respond to leadership—providing that it is positive and not directly restrictive. He explains that unions can do no more than their shop stewards are prepared to do.

If the Government and the TUC can together create a climate in which their common aims are recognised, then there is a good chance of a shop steward arguing with his strikers for restraint, claims Murray. This means that there has to be enough conviction generated by whatever incomes policy is being tried for the shop steward to respond.

Power of the shop floor

For this to happen, Murray rationalises the power of the shop floor by arguing that it is essential to involve shop stewards and local union officials in the making of strategic decisions—maybe through the type of industrial committees being developed by unions such as the Transport and General

Len Murray, at last week's annual Trade Union Congress.

Workers and the General and Municipal Workers.

At a different level, special committees now being created under the TUC's umbrella to cover specific industries again help to bring those involved in day-to-day industrial affairs in touch with decision-making. Murray sees a similar role here for the CBI to educate and involve managements—but will not be drawn about how it might be done.

Murray has in fact some lack of admiration for management in general: "A lot of managements are idle. They are so used to having cheap labour that they cannot be bothered to organise efficiently in a way which would help them pay proper wages and cut unit costs. Unions should be putting pressure on managements, because the real issue in industry is unit costs, not the cost of wages."

This brings him back to incomes policy. He sees wage restraint as useful only on occasion as a competitive device against foreign competitors, and even here gives it a fairly low rating because of other key factors governing exports such as design, efficiency and servicing — which again comes back to management efficiency.

Broadly, Murray points out that properly-developed TUC/individual union/shop steward power can be harnessed at differing times either to stimulate the economy, with encouragement for high wage claims contrary to Government policy, or to restrain the economy.

He sees it as entirely proper that the TUC and the unions should be able to do either, though he would clearly rather be in step with a sympathetic Government. He adds that all incomes policies should be sufficiently flexible to allow for variations in emphasis from time to time and from one industry or factory to another. Such allowances can engender a positive response from a group of workers in a company or industry facing financial problems.

He is in line with his two predecessors — Feather and George Woodcock — in wanting talks with governments. But he is also clear that it is the job of the TUC to talk to the party in Opposition, whether Labour or Conservative, "to ensure they are informed of trade union aspirations, of what we can or can't do and how far we can go, so they know the likely TUC line on any policy."

This, to Murray, is straight education but he is clear about one thing: "We make a distinction. We'll talk to the 'shadow' Cabinet when there is a Conservative Opposition—not to Conservative Central Office. I won't talk to the party."

With the present Opposition the distinction is blurred, with the TUC drawing up policies for a future Labour Government with both the Parliamentary and party leaders. This Murray sees as a reasonable step to take with Labour beyond the merely educative role because of an "identity of aims and purpose. . . . We're more likely to agree with Labour!"

The Common Market

He also accepts that even a closely-knit Labour Party-TUC liaison in Opposition cannot bind a future Labour Government on all subjects. His dividing line is drawn depending on the predictability of events. He sees no reason why all the details of a new Industrial Relations Act or the "nationalisation of the Bank of England" should not be signed and sealed in advance. On economic affairs, unpredictable external and internal changes—say the balance of payments—make advance detailing impracticable.

Feather brought the TUC much closer to the Labour Party than did his predecessor, Woodcock. While Murray will not be drawn on his plans in this area, it would be surprising if he withdrew sufficiently to go into "purdah" during the next General Election campaign.

On the Common Market, Murray is explicit: "I used to be pro-EEC till I did the arithmetic about ten years ago, when I lost faith in the large market theory. I don't know the optimum size for a U.K. market but I doubt if, for many goods, it is much larger than the U.K."

He is also scathing about those who are enthusiastic about the U.K.'s entry as a "douche of cold water which will spur us on to great new initiatives." Murray is clearly for such initiatives but says: "These have got to come as a conviction from ourselves—from faith in ourselves rather than from outside devices like the Common Market."

Differences be recognised

Rejecting possible allegations of xenophobia but admitting some sympathy for the views of de Gaulle, he goes on to say the differences between [...] should be recognised. He [...] co-operation but [...] "suborning ourselves to [...] international lowest com[mon] denominator."

For the TUC and the [...] themselves Murray says: "[The] more members we get, the [more] representative we become [and] the more collective bargaining develops. Then the more [we] can talk to the Government [and] the more they will take [notice] we should be taken." In [addi]tion to unions recruiting [more] members, Murray [wants] individual unions or groups [of] workers to consider the [effects] of their actions on others. [For] instance, for strikers to bal[ance] the cost of lay-offs when [they] decide what to do.

Building up trust

He also wants unions [to] continue to build up trust [in] the TUC, with the [TUC] encouraging this by improv[ing] its services to unions and effectively carrying out authority given it by the annual Congress — for example, staging industrial action [on] behalf of pensioners or negotiat[ing] with the Government [on] Phase Three. He is not in [the] business of wanting the TUC to try to topple governments through industrial action [and] draws a distinction between this and what he (and [the] unions) regard as acceptable action aimed at changing specific Government policy—for example on pensions.

Internally, Murray is re[view]ing the way Congress House operates and will soon [be] involved with the TUC general purposes committee in appoint[ing] a new assistant general secretary. This could well [be] the head of one of the TUC departments. But there [are] pressures for someone to [come] into Congress House at a [high] level direct from an affiliated union and the appointment [of] two assistants—one from a[...] side and one from inside [...] not be ruled out.

Within Congress House Murray is regarded as a [...] clear-minded, and an e[...] fast worker. He is said to [have a] great ability to [absorb] opinions and then to [make] quick decisions. Such attributes should serve him well [as he] tackles the essential job of [the] TUC general secretary—to [lead] the TUC general council [and] the Congress together despite the differing views of [its] leaders and constantly-changing outside pressures.

MEN AND MATTERS

A Flight Case of Slum Clearance

"It's a slum," they cried. "And Britain's third busiest airport, too!" Words to alarm the operators of Manchester or Birmingham airports, perhaps. But no. This time the centre in question is Luton, where 3.5m. passengers, most of them much despised package tourists, are funneled through a local sardine tin for their holidays of a lifetime. Luton, a crock of rate-revenue gold for the local corporation which owns it, is trapped between Government policy which says not another penny must be spent on the place, and passengers who insist on using it.

The result is a furrowed brow for airport director Mr. Bernard Collins, a man with £2.5m. corporation money in his pocket ready to spend on airport improvements, and a memo from the Government saying that not one brick can be laid. "The note just said the application had been refused. I thought I'd missed something so I turned it over, but there was nothing more."

Collins is one of those hail-fellow-well-met products of wartime flying who are currently the backbone of British air industry management. He opened and built up Southend municipal airport in the late 'forties and 'fifties when it was doing a roaring (literally) and profitable trade as a take-off centre for cross-Channel flights. He then moved to Channel Airways as deputy managing director. Channel, based at Southend, found the commercial turbulence of the late 'sixties too much so Collins turned his attention once more to airport operation rather than usage.

The "slum" tag for Luton came from Mr. Wilf Jones, maverick chief executive of Swiss-backed Cosmos Tours, one of the airport's biggest users. It upset the normally equable Collins who says that the airport may be cramped but is still clean. Behind the row is that giant twinkle in Government eye, Maplin. Collins wants to spend his money on passenger facility improvements—arrive at Luton from abroad these days and you'll find nowhere to get that cup of tea or glass of English beer you're dying for —but Whitehall's attention is fixed on Maplin, ten years and nearly 70 miles away.

Aerospace Minister Heseltine would obviously find it politically easier to close a delapidated "slum" in 1984 than the comparatively convenient airport which Luton wants to provide. Limiting the number of flights might make sense, but Collins sees little point in also limiting the number of seats, shops, lavatories and telephones in the place. The £1.5m. profit that Luton ratepayers made out of the airport last year is becoming almost an embarrassment—after all it is a good deal more than was managed by the tour operators who use it.

Stone's Throw in Class House

Where can you hold a party for Mick Jagger which is inaccessible enough to ensure privacy, but grand enough to arouse a flicker of interest from that totally experienced face? For Atlantic Records, anxious to spread some good will as a curtain-raiser to the week-end's London concerts of the Rolling Stones, the obvious answer was Blenheim Palace.

A handsome cheque ensured the personal goodwill of the Duke of Marlborough. He may have imagined more of a formal Press conference than the party that actually occurred, but he managed to keep to his private apartments, and the Stones and their guests, who not surprisingly turned out to be mainly media people, caused little mischief in the public refreshment rooms of the Palace.

The Duke had left a few fountains on and, if the interior scenes were a bit bare, there was plenty of style outside on the terraces where fire swallowers, a fortune teller, clowns, and a string quartet amused the pop aristocrats. At one time the Duke was rumoured to be present but it turned out to be his butler.

Of course, the party was mainly business. The Stones have a new record on release, Goats Head Soup, and the expenses of Blenheim were only part of the £20,000 that Atlantic is spending to promote the fact. Indeed the current British tour is mainly a promotional exercise. It will bring in £750,000, but expenses will eat up £600,000 of this, leaving the Stones just £150,000 to divide between the five of them.

They would not stir from the South of France for this kind of money if it was not for the fact that the record needs a boost, and they are fed up with the Riviera sun, anyway. Rumours suggest that Mick Jagger might even return to England to live next year—which is a useful tip for estate agents with any really top of the market properties hanging fire.

Think Small

Six years ago Mr. Harry Creighton emerged from relative obscurity as chairman of Scottish Machine Tools to take over *The Spectator* magazine. Since then he has sold out of SMT and been spending most of his time at *The Spectator*. Though *The Spectator* is still losing money, this does not seem to have lessened Creighton's interest in publishing, and this year he bought himself a new magazine.

The new acquisition is *Lilliput*, a magazine which flourished in the 1940s as what Creighton describes as the "literate officers' alternative to *Men Only*." Started in 1938 by Stephan Lorant, former editor of *Picture Post*, it carried short stories by such eminent writers as Evelyn Waugh and Noel Coward, as well as the obvious girlie pictures. Its main distinguishing feature was its size: a convenient small page format.

After two changes of ownership, *Lilliput* ceased publication in 1963. But earlier this year Creighton bought the title from IPC for a "nominal sum" and is now working on a re-launch with the guidance of Mr. Harry Fieldhouse, a former editor of *Penthouse*.

Creighton is still vague about the editorial of the re-vamped *Lilliput*, though the old pocket size format will be retained. The advice of Fieldhouse would seem likely to ensure the presence of some pleasing "photographs, but Creighton insists they will be "saucy not frank." He says it will maintain its literary tradition of carrying well written short stories and will be "Simon pure, and pure throughout. Not a crumpled sheet in sight."

Rien Sa Change

A colleague arriving at Calais asked a friendly courier how much she should tip the porter. "Ah," he said sympathetically, "it is two francs now—which is very expensive for you English since the resurrection of the French franc."

Observer

هكذا من الأصل

U.K. BANKING

CONTENTS

Unease in London on eve of world monetary talks

By ANTHONY HARRIS

The financial community has had a good few years of it; but a general unease has begun to oppress the City. Domestically, many bankers feel that they will soon be engaged in a struggle against controls from Whitehall in which the only question is how much ground they can hold. Internationally, the fears are more formless; but again, there is a feeling that the free financial market has been found wanting, and interventionism and restriction are in the air.

On the face of it, the implied judgment is grossly unfair. The financial markets have in fact functioned far more smoothly and effectively than nearly anyone imagined possible since the collapse of the old international monetary regime two years ago. Trade has continued to grow as rapidly as ever, thanks to the development of the forward markets, and crises have been relatively muted. Considering not only the uncertainties inherent in a regime of general floating, but the heavy additional strains imposed by political problems in the U.S. and economic ones in the U.K., which have kept both the reserve currencies under suspicion, the total movement in exchange values has been moderate. As a mechanism, the financial market has functioned impressively.

However, we did not need the Concorde project to teach us that impressive machines can be unwanted; and the market has efficiently produced many unwanted results.

First, as the IMF has pointed out in rather muted terms in its annual report, there is a general feeling that the exchange rates which the market has determined are unconvincing when judged against economic criteria—a conclusion which would be echoed in considerably stronger language in Bonn and Whitehall. The enthusiasm of two years ago for "clean" floating has virtually vanished—even in Washington, where the doctrine was born and where the results are viewed with something like satisfaction. It is now clear that the aim of the fundamental reform now under discussion is a system of exchange values controlled by active management under international political supervision.

The problem, so far as exchange rates are concerned, is one of time-lags. Trade balances respond to any change in rates slowly, and at first perversely; but exchange markets respond to fairly short-term developments.

The results can be threatening and cumulative, as can be seen from the extreme examples of the U.K. and Germany. Depreciation of the pound has imposed new burdens on the balance of payments as fast as the growth of exports has been able to respond to past adjustments, so that an encouraging performance in volume terms produces steadily worse results in the current account. The danger of sliding, as it were, down the first stage of an endless receding J-curve, finally into hyper-inflation, is no longer simply an academic nightmare. The authorities have started to use the reserves heavily to arrest the slide, and there is much discussion of other (highly traditional) measures to defend the exchange rate. Bretton Woods has, one might say, come to a market-economy Dunsinane.

In Germany, it is the surplus which has proved persistent and perverse. The fear, now widespread in industry, is of an obstinate recession. Again, the system is suspect.

The trouble is, of course, the original resort to floating was not intended to solve the problem of exchange adjustment, but quite another: the massive movements of capital which resulted from attempts to defend fixed values for convertible currencies. In this respect, floating has been a considerable success. Any attempt to outguess the market by reimporting political decision and notions of long-term "fundamentals" must, however, revive the problem which originally provoked floating. The control of capital flows is a live issue again.

If this were a question of bureaucratic direction, the banking community might allow itself a cynical smile. For the best part of a decade, central bankers have talked of the need for controls. The threat, however, has always been rather that of King Lear: they would do such things . . . they knew not yet what they might be, but they would be the wonder of the world. The central bankers themselves have now come round to admitting their own limitations here.

There is no need, however, to police the financial markets to achieve the desired results. One method is to retreat from convertibility a little; the other is to limit the supply of the troublesome capital.

The history of attempts to restrict domestic access to international markets is chequered—with substantially complete success in the U.K. and in Japan (which is clinging with affectionate obstinacy to its controls), but of substantial failure in Germany. The motives for trying harder are strong: not only to protect a system of relatively stable exchange values, but to restore the autonomy of domestic monetary policy, and to protect the EEC's fragile attempts to build monetary union. It is now clear that the problem of monetary inflation provides the strongest motive for controls, while the bureaucracy in Brussels is likely to respond eagerly with the necessary directives.

The forbidding thing is that monetarist and nationalist motives are hopelessly entangled here. The free movement of long-term capital has ever since the last war been a stated objective of international effort—at Bretton Woods, in the OECD, and at every international meeting. Recently, however, this aim has barely received even lip-service. Governments which are vocally worried about the effects of international capital movements on their money supply are privately equally worried about issues of industrial control, and the facility with which investment and employment can migrate under the control of multi-national companies with access to mobile funds. The Euro-currency markets are seen not only as the medium through which monetary inflation and/or high interest rates are transmitted, but as an element in long-term investment outside Government influence. So far as controls are imposed, then, they are likely to be durable.

However, it is the growth of the supply of mobile funds which has made their control a matter of urgent concern, and an alternative scenario is one in which the supply rather than the use of Eurodollars is the object of control. This is the real issue at stake in discussions of the type and availability of reserve assets in the reformed monetary system which is beginning to emerge from the discussions of the Group of 20, and which may be more clearly visible in Nairobi later this month.

A good deal has already become clear. Gold is to become a non-monetary reserve asset, traded (no doubt in limited quantities) at a market price, and subject to the uncertainties of any commodity in a market with enormous overhanging stocks. SDRs will displace both gold and currencies as the basic reserve asset—an asset which will only become available as commercial liquidity at the will of the monetary authorities.

However, these decisions beg the essential question from the banking point of view: how far will SDRs, limited to central monetary institutions, replace currencies as reserves? How far, in other words, will the dollar and sterling balances be consolidated in commercially inaccessible IMF accounts? Every step towards consolidation will tend to dry up the supply of Euro-currencies. "It's a question," as Secretary George Shultz recently remarked, "of how much one wants to dry it up."

The present indications are that the Europeans are a good deal more anxious to see both currency reserves and Euro-currency holdings reduced than the Americans are; this would suggest an outcome in which there was some reduction in the volume of Euro-funds accompanied by more or less stringent controls on their domestic use in the EEC. The form of these controls, in the shape of reserve requirements and detailed "physical" controls will be crucial.

So far as the control is on domestic borrowers, London and other European centres can continue to act as the centre for international capital transactions in third-country markets, and especially for the developing world. However, tighter controls of banking activities themselves, on the model of some European countries, coupled with relaxation of U.S. restrictions—which is waiting only for a stronger balance of payments—could result in the emigration of much of this business to the U.S.

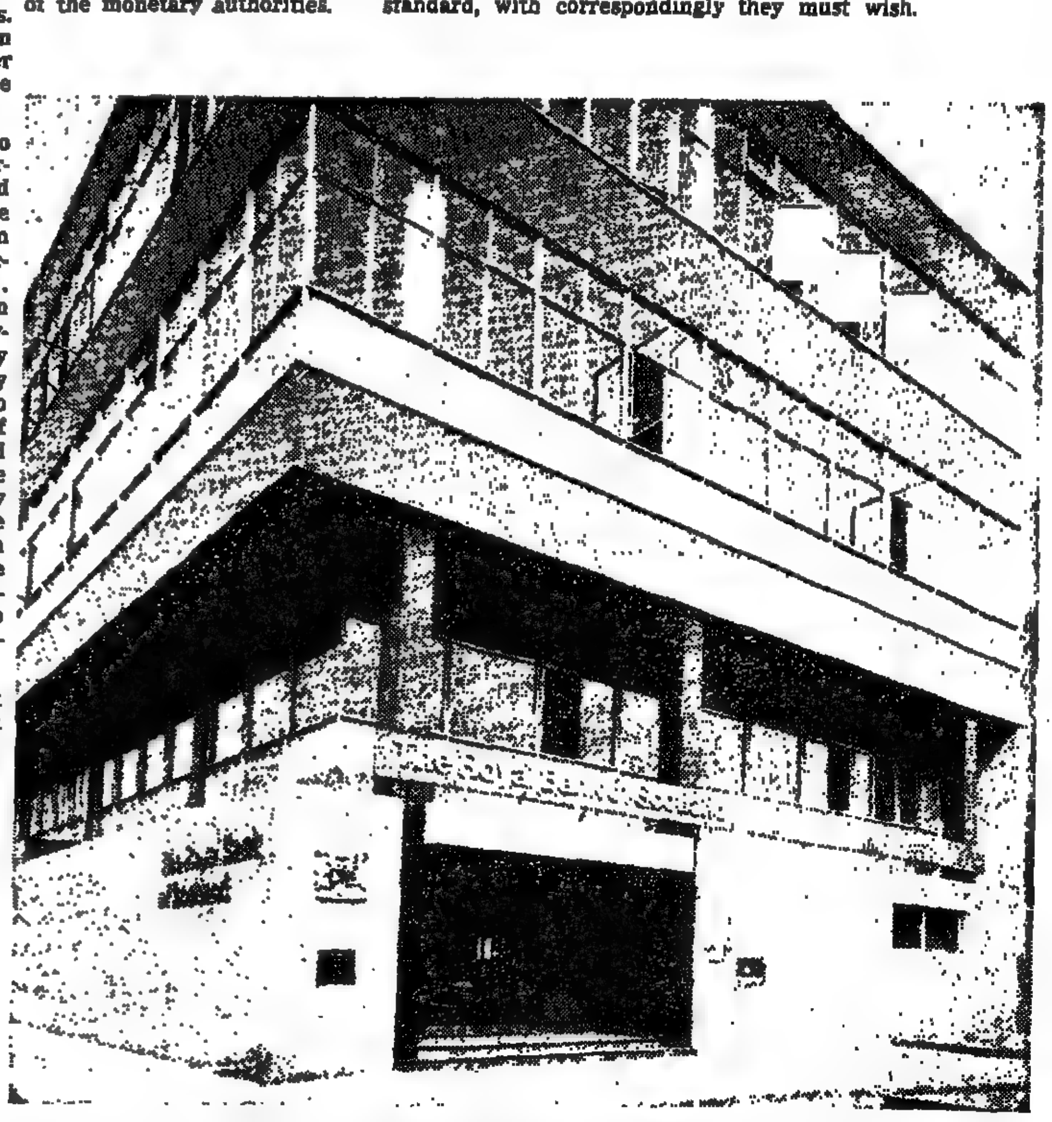
If the U.S. is persuaded to agree to a more stringent restriction on foreign official dollar holdings than now seems likely, and a more general consolidation of dollar reserves, then the outcome could be very different. An SDR standard could then be expected to function much more like a gold standard, with correspondingly less need for cumbersome controls: but some substitute would have to be found for Eurodollars as a source of development capital.

Here the aid link with SDRs is of great commercial significance. The tighter the restrictions on currency holdings, the greater the need and the greater the scope for a new source of development capital—which might take the form either of a new formula for the allocation of SDRs, or rather more probably of the issue of SDRs to some such body as the World Bank, which might well emerge as a preferred creditor from the point of view of the developing countries. Either way, the opportunities for commercial lending will be reduced.

It is especially unfortunate that at a time when so many issues of national and international policy are of vital interest to the banking community, its political influence should be at an apparent low point.

To a large extent, bankers may justly complain that they are scapegoats for problems which are not of their making. They did not take the fiscal decisions which have imposed such an undue burden on monetary policy in most Western countries. They are not responsible for shortages and fears of shortages of oil and other commodities, which are helping to accelerate inflation. They did not cause the imbalances which have generated such a runaway growth of liquidity in the past five years. Nevertheless, they are now threatened both by the needed reforms in the rules under which they work, and by the attempts which are all too likely to tackle inflation by trying to repress its symptoms. At a time when their profits arouse envy, these decisions are likely to be reached with less respect for their interests than they must wish.

[I]nterior of a modern branch of Midland Bank.



The Charing Cross West branch of the Royal Bank of Scotland.

[E]conomy's capacity the [k]ey to current debate

[By] WILLIAM KEEGAN, Economics Correspondent

[A]nybody writing this article [bef]ore the middle of last week [wou]ld have been reasonably [jus]tified in asserting that one [of] the prospects for the U.K. [eco]nomy was a sterling crisis. [Th]e timing of the wave of [spe]culation which developed in [the] second half of the week is [nei]ther here nor there. It could [hav]e happened a few weeks ago; [it c]ould have been delayed until [the] autumn. The fact remains [tha]t any observer with any [exp]erience of, or feeling for, [the] British economy sensed in [his] bones that something was [goin]g to erupt some time.

[T]he basic concern felt by [...]ies both at home and over[sea]s can be simply expressed. [It i]s that too many strains have [bee]n placed on the economy [for] the Government to have a [rea]sonable chance of correcting [wh]at is already a very large [bal]ance of payments deficit, and [tha]t the more corrective action [is] delayed, the more drastic [the] deflationary measures [ulti]mately have to be.

[T]his is not a view that has [sud]denly emerged: indeed, [bef]ore his Budget in March [the] Chancellor, Mr. Anthony Barber, was urged by the Parliamentary Public Expenditure Committee and the Cambridge group of economists led by Mr. Wynne Godley to take corrective action then.

In the event the Chancellor opted to go for growth, introduce a "broadly neutral Budget," and do nothing about the already large Budget deficit. The Budget forecasts envisaged an annual rate of growth of gross domestic product of 5.2 per cent. between the second half of 1972 and the first half of 1974. Within this period some deceleration was expected to take place, and the forecast for the change between January - June, 1973, and January-June, 1974, was 4.5 per cent.

Obvious features

There were a number of obvious features of the Budget strategy which drew comment at the time. One was the fact that a fairly high growth rate for consumer spending was still being assumed—4.5 per cent. between the first halves of 1973 and 1974. A second was the assumption that the growth rate of exports of goods and services, net of imports and goods and services, would improve sharply over the forecast period.

The third, and probably the most widely commented on aspect of the strategy, was the very large central Government borrowing requirement of over £4,000m. for the 1973-74 financial year. The Chancellor gave no targets for the monetary aggregates, but said the borrowing requirement would be met "to the maximum extent" by means which did not increase the money supply—that is, by higher savings.

Absolutely crucial to this strategy was the interpretation of the underlying capacity situation in the economy—the pressure on resources. The Ministerial view at the time—and reiterated on many occasions during the spring and summer—was that unemployment was still high, and that the economy had sufficient reserves of capacity to cope with the demands being placed on it. These demands included the continuation of a high rate of growth, with exports and industrial investment playing a major part. The growth of Government spending, Mr. Barber said, would decelerate sharply from the middle of this year onwards.

Rather faster

In the event the economy appears to have expanded rather faster in the first half of 1973 than was expected; growth from now on could be correspondingly slower, and the average rate still consistent with the forecasts. Partly in reaction to the pre-VAT spending spree, consumers' expenditure dropped 3 per cent. in the second quarter, and what was then the official view was summed up by the independent National Institute of Economic and Social Research recently when it asserted: "The evidence is accumulating that the view taken by the Treasury and also by our own previous forecasts is being borne out; the rise in real demand is slowing down of its own accord without excessive pressure on the economy's capacity."

Consumers' expenditure accounts for over half of final expenditure of gross domestic product; its rate of change is determined principally by movements in disposable income, but also by changes in the savings ratio and the availability of credit. The basis of the National Institute forecast is that the growth rate of consumer spending will have been cut sharply from 7.3 per cent. between the fourth quarters of 1971 and 1972 to 2.9 per cent. between fourth quarters 1972 and 1973 and, again, 2.9 per cent. between fourth quarter 1973 and 1974.

The recent trend of disposable income has been affected by the 32 per cent. jump in import prices over the past 12 months, and the effects of the Phase One freeze, and Phase Two £1 plus 4 per cent. formula, on the growth of money wage rates. Rapid expansion has brought a fair amount of wage drift, however, and actual earnings rose at an annual rate of 22 per cent. in the second quarter. But the National Institute argues that large increases in earnings make little difference to disposable income movements — because prices soon catch up—although they certainly exacerbate the inflationary situation.

The crucial phrase in the Institute's summary of the situation is "without excessive pressure on the economy's capacity." This is a much disputed judgment. Unemployment in Great Britain fell by 34 per cent. in the year to August, and now stands at 565,000 (seasonally adjusted). Unfilled vacancies are at their highest level since July 1955 and are not thought to have been distorted all that much by the recent streamlining of the employment services. The series which measures the number of people in employment has begun to rise sharply—it takes into account the "hidden reserves" of labour not included in the unemployment register. And the evidence of surveys conducted by the Confederation of British Industry and the Financial Times is that many of the classic symptoms of "overheating" have begun to appear, such as shortages of skilled and unskilled labour, and of material supplies.

One of the problems facing the Government may be that there *has* been a slowing down in the economy, but that this is only part of the picture. There has been a boom; expansion for the immediate future looks like being at least at the rate of the underlying growth rate of productive potential—say 3½ per cent. plus; and yet the impressionistic evidence is that, if there was spare capacity, it has largely disappeared. In which case, how does the Government reconcile its target of equilibrium in the balance of payments with a large Budget deficit? For the only obvious changes in official policy since the Budget have been some minor cuts in public expenditure (mainly for 1974-75) and a very recent attempt to slow down money supply and let interest rates go higher.

Import bill

There are always special factors, and the special factor which has caused big trouble this year is the way in which the U.K. has been having to devote many more real resources than expected to offset the huge increase in its import bill. It has been like running up the "down" escalator in an underground station. The relevance of the Budget deficit in this situation is that the balance of payments has to be viewed as the relationship between the total receipts and total expenditure of an economy, and in present circumstances the balance seems to have got out of hand.

Even apart from costs and prices therefore, a key question is whether the restraints on domestic demand are sufficient to allow the balance of overseas payments to improve. On prices specifically, even the National Institute has warned that any relaxation of prices and incomes controls would be a step nearer to "Latin American rates." The NIESR has argued that wage increases in Phase Three of the anti-inflationary policy must be no greater than £1 plus 4 per cent. of Phase Two. But many would add that such a policy would have to be supplemented by greater fiscal and monetary restraint.

U.K. BANKING II

New monetary experimen[t] approaches a climax

By ROBERT COLLIN

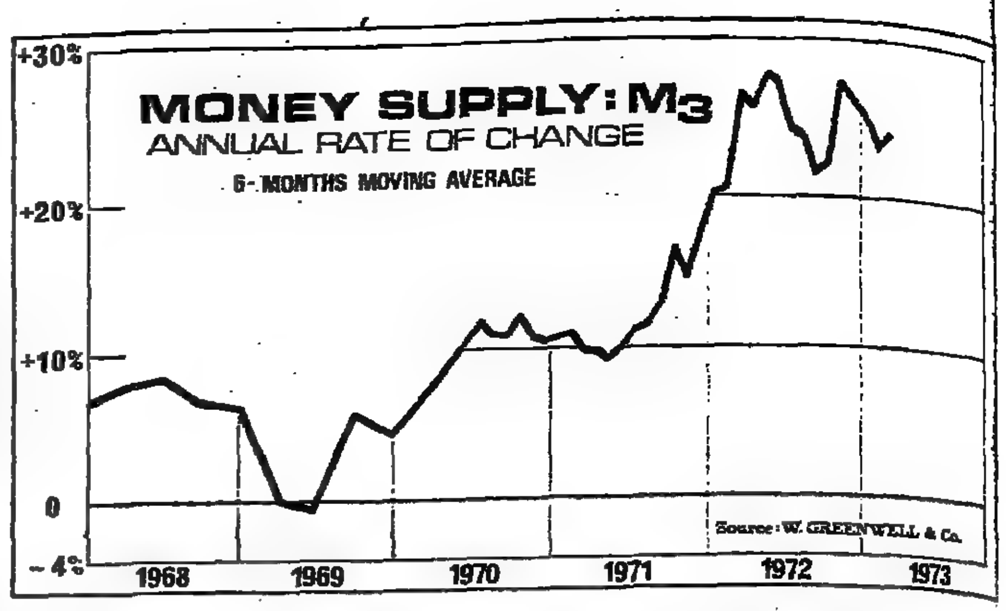
The U.K. authorities have been engaged for the past 18 months on an experiment in the use of monetary policy which now seems to be approaching some kind of climax. There were three principal reasons for the new approach. The first was a revival of interest, here as in the U.S., in the possibility of regulating demand (neo-Keynesian methods having proved less than fully effective) through control of the money supply. The wisdom of attempting to use for the management of short-term demand a weapon which its strongest advocates regard as essentially long-term in its effect tended, in this climate of opinion, to be overlooked.

The second reason was the coincidental introduction of a radically different system of official credit control, one main object of which, following the recommendations of the Prices and Incomes Board and the Monopolies Commission—was to encourage greater competition for business between the clearing banks themselves and between the clearers and other financial institutions. The urge to compete for which the new arrangements gave scope was greatly reinforced by the decision of the clearing banks to publish true profit figures. The third reason was the Government's intention, announced in the 1972 Budget, of aiming for a time at a much faster rate of economic growth than had been customary and of supporting this attempt with a correspondingly faster expansion of the money supply.

The Treasury and the Bank of England have been actively concerned for generations past with controlling the growth of various forms of credit and with regulating interest rates, not least in connection with management of the National Debt. The novelty of the new arrangements, apart from the greater freedom of operation which they allowed to the banks and the reduction they implied of intervention by the Government Broker in the gilt-edged market, was the attention they focused on the behaviour of the money supply.

Two definitions

Two problems arose at once, one of definition and the other of interpretation. The Bank at present uses two definitions—M1, which consists of cash and current account bank balances, and M3, which covers deposit balances as well; apart from technical statistical difficulties (the practical result of which may at times be large), it is clear that other definitions are possible and that there is no obvious way of deciding whether M1 or M3 is a more accurate guide when their courses diverge. As for interpretation, it has inevitably been difficult not only because there was limited past experience on which to base a hypothetical connection between movements in the money supply and movements in real national income



but because the new experiment has been conducted at a time when external monetary conditions (including the floating of the sterling exchange rate) and domestic conditions (much influenced by banking innovations) were rapidly changing.

The events of the past 18 months amply illustrate this difficulty. At the time of the 1972 Budget, the money supply (as measured by M3) had already been rising abnormally fast for six months and would have risen faster but for brisk sales of gilt-edged stock and National Savings securities to the public. The Chancellor then stated that the faster rate of economic growth at which he was aiming would entail a rise in the money stock high by the standards of previous years but that he would set no numerical target: this would be varied according to circumstances. During the second quarter, in fact, the money supply rose at a still faster rate, even though its growth was moderated to some extent by the run on sterling which led to a rise in Bank Rate—said to be consistent with the object of an "adequate but not excessive" rise in the money supply—and the floating of the pound.

Interest rates

The rise in Bank Rate led to rises in other interest rates, including rises in the base lending rates of the clearing banks (from 4½ to 6 per cent. in June and again to 7 per cent. soon afterwards) which may themselves have been partly responsible for a markedly slower rate of growth in M3 during the third quarter. Another influence making for the slower growth of bank advances was a directive (provided for under the terms of the new credit control system) instructing the banks to bear in mind the possible demands of industry and to make credit less readily available to property companies and to support purely financial transactions. The basic factor, however, was that the public sector borrowing requirement was emerging more slowly than expected — thereby creating a fear that it might rise much faster and create an excess of liquidity towards the end of the financial year. Interest rates were continuing to rise, partly as a result of an agreement between EEC finance Ministers to tighten money in the struggle against inflation, and in early November — Bank Rate had been replaced in October by a Minimum Lending Rate determined automatically by the movement of the Treasury bill rate — the Bank of England called for special deposits of 1 per cent.

This measure led to further increases in interest rates (the base rates of the clearing banks reached 7½ per cent. at the end of December and 8½ per cent. at the end of January) but did not prevent further rapid rises in M3 during the third and fourth quarters of the 1972-73 financial year. One special reason for this growth, in fact, was that base-lending rates lagged behind the rise in other short-term rates and that large companies with unused overdraft facilities were able to make a turn by borrowing from the banks to re-lend the same money to them at a higher rate; the economic significance of the rise in bank deposits and M3 caused by this type of arbitrage was not easy to assess, and it was discouraged to some extent by the closing of a tax loophole in the 1973 Budget.

More important from the point of view of controlling the money supply, however, was the large public sector deficit for which the Chancellor budgeted earlier this year despite the rapid recovery of demand in the private sector and which new concessions to investors in gilt-edged stock and National Savings were inadequate to match. The greater part of the previous year's deficit had been financed by running down the exchange reserves at the time of the mid-1972 run on sterling. Of the prospective 1973/4 deficit, the Bank of England remarked in its June Bulletin that "bearing in mind that much of last year's already substantial requirement was met from the sterling proceeds of the loss of reserves when the pound came under pressure in June, the burden on domestic sources in financing the deficit this year is great indeed: if there were no external finance this year, domestic sources would need to provide about three times as much as in 1972/73."

Although interest rates eased back for a time from the high levels reached in late February and early March, therefore — the clearing banks' base rate, having been risen to 9½ per cent. in mid-February, eased back to 9 per cent. in early April and 8 per cent. in mid-June — the underlying trend gave little cause for satisfaction. The growth of M3 slackened sharply for a time as the arbitrage positions referred to above were gradually unwound, but then began to rise again: in July alone, even allowing for special distorting factors (mid-year interest [...] ments and the huge [...] temporarily tied up in the [...] subscription of the Sains[...] issue), it is officially estim[ated] to have risen by 2-3 per cent.

Even before the size of [the] July increase in the mo[ney] supply became known, howe[ver,] the Bank of England had [been] obliged by rising interest r[ates] abroad and consequent pres[sure] on the floating exchange ra[te to] intervene. Towards the en[d of] July it called for another 1 [per] cent. of special deposits, [and] the consequent rise in m[oney] market and Treasury bill r[ates] took up its Minimum Len[ding] Rate first to 9½ and then to [...] per cent. The base rates of [the] clearing banks similarly r[ose] first to 10 and then (after s[ome] hesitation) to 11 per cent[...] level at which actual overd[raft] rates to industrial borrow[ers] range from 12½ to 15 per c[ent.]

Whether or not this a[ction] would have been taken [for] purely domestic reasons is [an] open question, but the pu[blic] sector deficit, the growth of [the] money supply and the incr[eas]ing imbalance of trade are closely involved with [one] another. What is certain is [that] this rise in interest rates [to] unprecendentedly high nom[inal] levels is bound to have polit[ical] as well as economic reper[cus]sions—as it already has, [...] and most obviously, in [the] mortgage market. There [are] provisions in the cur[rent] scheme of credit control [not] only for issuing qualita[tive] directives about lending to [...] banks but for insulating bu[ild]ing societies and Natio[nal] Savings from bank competi[tion] for the deposits of small sav[ers:] the one has already been m[ade] use of, though lightly, and [the] other still could be.

Radical alterations

Given the discontent fel[t in] the City about the new sy[stem] of credit control, howe[ver,] especially in its effect on [the] gilt-edged market, and the G[ov]ernment's unwillingness to c[ut] public expenditure m[ore] effectively or to impose hig[her] taxation, it is not inconceiva[ble] that the Government will ch[oose] to make more radical alt[era]tions in present credit arran[ge]ments. Whatever their me[rits] in creating the greater c[om]petition in the financial sec[tor] which has been so long need[ed,] they have not yet proved the[m]selves able to provide sh[ort-]term control of the mo[ney] supply. Circumstances, [of] course, have not been fav[our]able.

Changing shape of banking

By MICHAEL BLANDEN

It is no coincidence that the main themes of the recent growing debate over the future structure and emphasis of the British banking system have been drawn chiefly from Continental examples. Membership of the Common Market has concentrated attention on the marked differences which exist between the traditional character of London's expertise and operations and most major European financial centres. The issues which were already being discussed in the City have been focused in this context, though they concern London's position not only within the European Community but against the broader background of its role as a leading international financial centre on a world scale.

Two concepts have entered into common usage recently—"universal banking" and the "*banque d'affaires*." Both imply fundamental changes in the traditional methods of operation of the U.K. banks, underlined this year by the publication of the report on London's future as an international financial centre prepared by the Inter-Bank Research Organisation for the Central Policy Review Staff. This report made a considerable impact by developing two main themes.

First, it pointed out that the present strength of London's position as an international centre had been based particularly on the traditional multiplicity and specialisation of its financial institutions. Banking has been divided up between a variety of different organisations, with retail business the main concern of the big clearing banks while the merchant banks and other specialists provided services such as corporate financial advice.

Specialised type

Secondly, the character of the banking business, particularly in relation to the specialised and entrepreneurial type of activities, had developed in relation to a market-orientated financial system in considerable contrast to the much clo[ser] involvement with industr[ial] development common in so[me] Continental centres.

On both counts, the rep[ort] suggested, the City needed [to] change. And in order to ca[rry] through the fundamental [re]organisation required over t[he] next few years, it argued th[at] the City should set up mo[re] effective channels of commun[i]cation internally and with t[he] authorities, and that t[he] Government should consid[er] creating a temporary "t[ask] force" to sponsor and guide t[he] restructuring of the U.K. ban[k]ing system.

In fact, neither of these arg[u]ments is unfamiliar in the Ci[ty.] The pressures have been rec[og]nised for some time which a[re] pushing the structure of bankin[g] towards a greater emphasis o[n] size and comprehensive servic[e.] A good deal has already ha[p]pened, particularly since t[he] introduction of Competition an[d] Credit Control two years ago, [to] break down the traditional d[...]

Continued on next page

Problems for the City

هكذا من الأجل

By MARY CAMPBELL

During the last year, the future of the City as the world's leading international financial centre has appeared increasingly under threat. Costs in terms of rents and staff continued to escalate while, with a number of new foreign banks opening up and none closing down, competition became even harder. The returns on traditional business declined: the Eurobond market as a source of fees has been virtually shut down since February, and the spreads on medium term lending — and in some cases even the management fees — have been pared. Other cities, in particular Singapore, have been vigorously promoted as international financial centres in their own right. Taxation on foreign banks' branch operations here was increased in the last Budget, in the words of an American banker, "by 25 per cent. at a stroke," as a result of the new imputation tax system. The U.S. Government has announced that the controls on capital outflows which did so much to promote the growth of London's importance in the sixties are to be removed by end-1974. Finally there is the prospect that harmonisation of EEC banking legislation will destroy the City's traditional freedom of operation.

Minimum spreads

The cleverer of the banks at least have found ways of getting round a number of these problems. Most of those who were affected by the debacle on the Eurobond market have diversified into other areas, while, in the case of others, business was already wide-ranging enough to take in this problem. Some banks have got out of the medium term lending rat race—or have set themselves minimum spreads on which they will lend or found cheaper sources of deposits than the London interbank market. These banks too have built up other areas of operations—leasing is one favourite, ordinary sterling wholesale banking or consumer credit business is another (now that the foreign banks are free to compete with the British banks on equal terms).

As for the moves to promote other centres, the first point is that the Eurodollar market is certainly big enough for almost everyone, and the second that that this development has in many cases been spear-headed by British firms which doubtless draw fat profits from setting up overseas. The fact that money broking and foreign exchange is now a round-the-world, round-the-clock business is substantially due to the British money brokers setting up branches in centres all round the world. To take another example, when the Singapore authorities wanted to set up a money market, they called in the British discount houses to help design it. Though London's share of overall international banking business has undoubtedly declined in recent years, the extent of the decline as a result of these factors is not too significant.

The other problems are not so easily passed over. Mr. Daniel Davison, then head of Morgan Guaranty's London branch and now back with the bank in New York, had this to say about the taxation problem earlier this year: "As matters now stand foreign banks are faced with a serious escalation in the cost of transacting business in London. Inevitably, there will be a re-examination by the head offices of foreign banks represented in London as to their policy of transacting discretionary business here." Other U.S. bankers go further: they say that a significant amount of their business will be moved elsewhere if the taxation costs do work out so high — though they do not say how much or where to. At present, the future policy of the U.S. banks — by far the most important group affected — hangs on the outcome of the current double taxation negotiations between Britain and the U.S.

The effects of EEC harmonisation of banking legislation is a long term threat only: it is likely to be some years before the current proposals have passed through all the relevant bureaucratic and political channels in Brussels. However, there is no doubt that the present proposals are very alien to the current situation in Britain — not so much because banks would want to carry on their business differently (though one or two provisions, such as the requirement for branches to be capitalised — do run counter to current British practice) as because they are based on the assumption of positive regulation of banking rather than negative and informal vetting. There is no doubt that the foreign banking community, and in particular the U.S. banks, are very concerned about this development. To quote Mr. Davison again: "It would be hard to see how London could play any real part at all on the international scene if any substantial part of the proposed legislation were enacted."

It is still not yet clear whether the U.S. Interest Equalisation Tax (IET) and the other controls on exports of capital will in fact be removed. The latest estimate of the position indicates that they will: in an article in the September issue of Euromoney, Mr. Arthur Urciuoli of Merrill Lynch notes: "the U.S. Administration 'party line' is that Treasury Secretary Shultz's promised repeal of U.S. capital controls by the end of 1974 will be lived up to. Interestingly, many middle-level U.S. Government officials also express their belief that the foreign direct investment programme will in fact end next year, and with it the Voluntary Foreign Credit Restraint Programme and Interest Equalisation Tax."

Lower costs

Mr. Urciuoli goes on to comment that "if the IET and/or the VFCR are dropped, or even significantly eased, the re-opening of the U.S. capital market as a source of funds to be used outside the U.S. will be most significant." Few would disagree with this—the costs of borrowing capital funds are lower in New York than on the

Continued on next page

CONTINUED FROM PREVIOUS PAGE

Changing shape

arcations in the City as the big earing banks have increasingly read their wings. It is much as clear, however, that it will possible to arrive at anything like a universal blueprint r the future development of e City, or even at any general reement among its various embers on the form it should ke.

Developments this year have doubtedly represented an celeration of the process of ange, encouraged by the Bank England. The Bank's decin from the beginning of this ar to remove the former stacles to takeovers of the cepting Houses—the elite erchant banks—by clearing nks cleared the way for the reement for Midland Bank to e full control of its associate ntagu Trust and the subsidiary merchant bank Samuel ntagu. It also made possible rather different move by G. Warburg to link up with nque de Paris et des Pays-s, one of the leading French *nque d'affaires*. The City has n the failure over personality ferences of the ambitious empt to merge Hill Samuel Slater, Walker to create biggest of the merchant aks with a strong *banque ffaires* slant. And it has seen, part of the same pattern of elopment, the strong efforts ng made in various ways by clearing banks to develop ir foreign and overseas erations.

The phrase "universal bank-," drawn particularly from West German example, has erefore become in London venient shorthand for grow-concentration in the bank-industry, with the emerce of large financial institums providing a comprehen-e range of services to all ds of customers. Pressures wards development in this ection have come from a variety of sources. They include the need felt by the clearing banks, perhaps since as far back as the mergers of the late 1960s to extend their services in order to capitalise on the substantial competitive advantage they hold in their extensive branch networks and large resources. The process has been accelerated by the impact of Competition and Credit Control in underlining the need to compete for business with all other kinds of financial institution.

The pressures also include the problem, recognised by the merchant as well as the big commercial banks, of meeting the demands of large interntional and multi-national corporate customers for finance and financial services; and the huge financing requirements of operations such as the development of North Sea oil. The need for command over greater resources has been one of the factors in the development of the consortium concept in international banking, as well as one of the major arguments put forward by Sir Kenneth Keith, chairman of Hill Samuel, in his consistent advocacy of greater size in merchant banking.

The concept of the "*banque d'affaires*," related in argument to the development of more concentrated banking operations, implies a much closer relationship between the banker and his client than has been customary in Britain, including long-term involvement not only in providing finance for industrial and commercial customers but also probably an interest in their equity and perhaps in contributing to their general financial management. It was the phrase specifically used by Sir Kenneth Keith to describe the aims of the proposed Hill Samuel-Slater Walker merger. The clearing banks themselves have shown that they may not be averse to taking some of the action in some recent property finance deals, and that they recognise the need to become more directly involved in providing financial advice to customers when they are lending to them on a medium or long-term basis.

The idea has perhaps gained currency particularly against the background of recent criticism of the City for its failure to contribute as much as it might have done to the development of British industry, and its reputed concentration on short-term gain rather than long-term progress in the economy generally. The criticism was summed up from the Continental viewpoint this year by M. Henri Simonet of the EEC Commission when he commented in London that the City "may be brilliant bookmakers but you have not bred marvellous horses."

So far, it would probably be possible to find fairly general agreement in the City. The structure of British banking is changing, is likely to change even faster in the future, and the changes will include particularly further breakdown of the demarcations which have been traditional there. There is, however, much less of a consensus on the ultimate form that change should take or on the desirability of the financial system being dominated by a small group of giant and comprehensive financial institutions which might ultimately develop on an international scale.

Apart from anything else, this seems to many people to be simply inviting the move towards state control of the big banks already being apparently seriously considered by the Opposition. Moreover, there are doubts whether too much concentration in banking would in any case be good for the further development of the City as a financial centre. There is force in the argument that the diversity of the financial institutions of London has been a major contributory factor to the development of its skills. Many bankers, for example, question how far it will be possible to sustain the innovatory and entrepreneurial characteristics typical of a merchant bank in the context of the much bigger and more institutionalised structure of a clearing bank.

Nor is it clear that the closer involvement with industry developed in the very different Continental capital markets is necessarily appropriate to the U.K. system—indeed, it seems unlikely that the sort of influence exerted by, for example, the banks in West Germany would be acceptable in Britain politically or economically.

Considerable reservations about the trend towards bigness in banking having been evident, too, in official attitudes so far. Under Lord O'Brien, the Bank of England gave support to the breakdown of demarcations in the City and the development of clearing bank services by the changes in its rules and by recognising the trend towards universal banking. It also, however, made it clear that it would do all it could to prevent the special character of the merchant banks from being swallowed up in monolithic banking organisations. And Lord O'Brien expressed clearly his view that substantial involvement in equity investment by the clearing banks would be unwelcome.

His successor as Governor, Mr. Gordon Richardson, is therefore likely to preside over a period of rapid and radical change in the City, of which recent developments are only the beginning. It is unlikely, however, that any single formula will emerge as the answer to all the issues.

U.K. BANKING IV

Competition and control

By ROBIN PRINGLE, Editor, The Banker

Since "Competition and Credit Control" was introduced two years ago, to general applause, it has become one of the most unpopular expressions in British financial affairs. The new approach to monetary policy, and the new techniques adopted then have recently been held responsible for events as diverse as the mortgage crisis, the big losses by discount houses this summer, spiralling interest rates generally, and last year's massive gain in bank profits.

There are increasing calls for a "modification" or abandonment of the monetary policy usually identified with "CCC." This would imply the use, as in the 1960s, of directives applied to the banking system—either to control the interest rates they allow on deposits, or to control the distribution of their advances, or both. It would not be surprising if the authorities were to comply with such requests: they have not had much joy in operating the new policy either. But such controls would probably be ineffective in achieving their aims, would certainly damage the financial system, and would represent a heavy setback for those who had campaigned over more than 10 years, from 1960 to 1970, for a reform of monetary policy.

Escape clauses

There were escape clauses in "CCC" anticipating a situation where banks were competing with building societies and possibly attracting funds from them; and the Bank of England reserved the right to issue directives to banks on the distribution of their lending. But what is at stake now is much more. It is whether the attempt to rely on market forces for the general control of credit will succeed.

The basic aim behind "CCC," which had been described in the Bank's document published in May 1971 and put into practice in modified form that autumn, was twofold: to improve the efficiency of monetary policy and the competitiveness of the banking system. The techniques of monetary policy employed previously suffered from widely-recognised failings. These techniques took the form mainly of direct official intervention in the extension of bank advances. During the second half of the 1950s and in the 1960s these "requests" became gradually more detailed, both in terms of the borrowers which were to be given high or low priority by banks, and in terms of the over-all increase in bank advances to be permitted. Their application was also steadily widened to include banks and other financial institutions outside the "inner ring" of the clearing banks.

True, the liquidity ratio applied to the clearing banks throughout this period in theory gave the authorities a fulcrum on which to squeeze the banks' credit-creating capacity. By selling gilt-edged stocks in sufficient quantities to non-bank holders, they could probably then have put pressure on bank liquid assets and thus restrained them from extending further credit to the private sector. However, the definition of the banks' liquid assets was such that they could to some extent "manufacture" assets. Also, for much of the period their investment portfolios were ample, providing a comfortable cushion against reserve pressure. Finally, the authorities never really tried to exert a conventonal squeeze through orthodox methods (even when supplemented by special deposits) because they thought it was impossible to sell gilt-edged stock in sufficient quantities without pushing up interest rates to levels higher than they wanted or without "demoralising" the gilt-edged market.

Ironically, the most effective use of monetary policy throughout this period was in 1969-70, just before the demise of the old monetary policy. During that spell interest rates were allowed to rise steeply, monetary expansion was savagely cut and effective demand in the economy reduced.

In general, however, the attempt to control bank lending, by direct intervention, combined with the desire to keep interest rates down meant that bank deposits and the money supply were often rising rapidly just when monetary policy was supposed to be restrictive. Moreover, those who wanted to borrow usually found a means of doing so, despite the controls. The controls themselves distorted the financial structure and muffled the competitive spirit in the banking system.

Asset ratio

The new reserve asset ratio applied uniformly across the banking system (with a modified ratio applicable to finance houses) from September 1971 combined with the authorities' expressed determination to use the ratio, supplemented by calls for special deposits, as the fulcrum of credit control, was therefore acclaimed by nearly all observers. The simultaneous abandonment of the clearing banks' interest rate "cartel" under which they had paid only one, sub-market, rate on "time" deposits — that for nominally seven-day money, fixed at 2 per cent. below the current level of Bank rate — was also regarded as heralding an age of greater bank competition.

From the viewpoint of credit control, the vital ingredient in the new policy mix was the authorities desire to control bank deposits by market mechanisms (basically by operations in the gilt-edged market), implying a readiness to allow interest rates to rise to a level necessary to achieve that. The Bank's announcement in 1971 of a "partial" withdrawal from the gilt-edged market was part of this policy.

During the 22 months between September 1971 and July 1973, the money supply (M3) increased by 54 per cent. Even after every allowance has been made for factors that exaggerated the true rate of increase, such as the attraction by banks of balances previously held with other institutions, this was far more than the authorities wished to see. The reason for it was that throughout 1972 the authorities wished to restrain the rise in interest rates, for fear of harming any recovery in investment. The priority given to interest rates meant that control was lost over money. Yet the huge resulting increase in the money supply, together with the expansion in the economy in part induced by it, the associated payments deficit and falling exchange rate have in the last two months led to an unprecedented rise in rates. The rise was all the greater through being delayed.

Thus the unpopular developments commonly attributed to Competition and Credit Control are really attributable to the abandonment of the principles of that policy. The sharp rise in rates, the troubles of the building societies and discount houses and the big gains in bank profits can all be explained by reference to the authorities wish to keep rates down in 1[...] and much of 1973, and [...] resulting inevitable massive [...]crease in the money supply.

Competition in the financ[...] system has increased. It may [...] true that the banks would h[...] stepped up their efforts [...] increase advances to pers[...] customers even without the [...] system. Yet nobody can d[...] that the banking system, [...] particularly the clearing ba[...] have become more competi[...] than they ever were under [...] old system even at times w[...] they were free of off[...] restraints. Their administrat[...] planning, branch appr[...] systems, international o[...]tions, marketing and o[...] functions have all come u[...] closer scrutiny. Yet if [...] authorities retreat form[...] from "CCC," or continue [...] follow policies that m[...] credit control by means [...] market techniques impos[...] much of this competitive s[...] could wither away.

CONTINUED FROM PREVIOUS PAGE

City

Euromarkets, and larger amounts can be raised at longer maturities. In other words, a lot of international dollar business which is currently arranged predominantly in London would be arranged in New York.

In fact, however, it is unlikely that even if all of these measures were to come to fruition, the foreign banks will simply up sticks and move elsewhere. Given the development of the Eurodollar market in the last decade and of London's unrivalled sub-structure, the reopening of New York is not going to take the world back to the pre-1964 days. Similarly, given that the Bank of England is certainly not going to "harmonise" British banking legislation unilaterally, London will always retain its marginal position vis-à-vis other European countries. And Europe is too big an area for it to be neglected entirely by the non-EEC banks. (Their only possible alternative would be to centre their European operations in Switzerland—but this would only be possible in the unlikely event of the Swiss authorities completely reversing their present policies towards foreign banks).

Whatever happens then, London's position as the main entrepôt centre in Europe is assured — and indeed harmonisation, if combined with intra-EEC lifting of capital controls, etc.—would promote this position rather than the the other way round. It is significant that the emergence of the German banks on to the international scene in the last couple of years has meant that they have had to set up branches in London rather than that London has lost a lot of business to Frankfurt. The same is true of the Japanese, and even the Arab banks (though for historical reasons these have a preference for Paris). Equally, it is significant that even at this late stage at least one more U.S. bank is planning to open a branch in London—despite the projected removal of IET and so on.

London's supremacy

What is really under threat is London's supremacy in the world as a whole. During the last couple of years it has become the apparently inevitable organisation ground for lending to Africa and Latin America, quite apart from lending to the U.S. corporations themselves.

Here, the particular problems discussed above have to be seen in the context of the development of the diversification of the international capital markets which has already taken place. This is less a matter of the development of rival centres as of the sophistication of international communications. A loan to Zaire, for example, already involves international bankers in travelling there. Once it is agreed with the borrower, banks are invited to subscribe by telephone or telex, often to their head offices.

Even now a lot of the subscriptions would come to be arranged with the head offices of U.S. banks (even if technically booked out of Nassau brass plate branches). And just as, if New York reopens, this process may be expected to work in reverse—even in pre-1964 days a large amount of U.S. foreign bond issues was subscribed from Europe—London banks can and will be able to call on funds from U.S. banks. There is nothing to stop loans which are booked in New York being arranged in London.

Whether this develops will be a question of the expertise differential between bankers in the two centres—or where they prefer to live—rather than IET, harmonisation of banking laws, and so on.

U.K. BANKING VI

Wholesale markets' rapid growth

By MICHAEL BLANDEN

The rapid growth of the wholesale money markets in inter-bank deposits and in sterling certificates of deposit has been one of the outstanding features of the development of the banking system in the past two years. In the new climate of freedom of competition brought in with the change in the credit control rules in the autumn of 1971, the expansion of these markets has helped to increase considerably the flexibility of the banking system. As the Bank of England argued in its Bulletin last December in discussing the CD market, it "adds to the efficiency of the banking system; and well-developed markets in inter-bank funds and certificates of deposit must strengthen the system as a whole by improving its ability to mobilise funds quickly in response to unforeseen calls."

At the same time, however, the growing reliance of the banks on these markets has given them an importance in determining the general structure of interest rates which is increasingly being seen as disproportionate. Rates of interest in these markets tend to be relatively high, compared for example with more traditional money market instruments such as Treasury bills. Because the markets have a high turnover and a large number of strongly competitive participants, they are also highly sensitive to short-term influences and therefore volatile. And as recent events have underlined, it has become almost impossible for the big banks to insulate the rates they charge on the bulk of their overdraft lending from the levels in the wholesale markets.

For these reasons, there is a growing feeling in the City that some official action may become necessary to deal with the problem. This would require either finding a way of reducing the influence which short-term fluctuations in the wholesale markets have on the level of bank interest rates generally; or bringing the parallel markets more completely within the network of controls through which the Bank of England influences short-term interest rates, at present still predominantly concentrated on Treasury bills. Some of the anxieties being felt were voiced, for example, by Mr. Peter Clayton of the money brokers Butler Till, when at a conference this year he argued that the sterling CD market had helped to contribute to the disruptive credit - creating mechanisms in the banking system and money market.

There is also some concern over the stability of the markets. There has already been one example, in the Scottish Co-op, where operations in sterling CDs brought problems. The Bank of England itself drew attention in its Bulletin last December to the pyramid credit effect of CDs being held by other banks rather than outside the banking system, and to the possible reversal of the "process of multiple expansion" in tighter credit conditions. The Bank has set up its own detailed inquiry into the structure and operations of the sterling CD market.

Inter-bank market

The growth of the wholesale markets is illustrated in the table. Over the past two years, the outstanding total of borrowing and lending in the inter-bank market have roughly trebled, to over £6,000m. At the same time, bank issues of negotiable sterling certificates of deposit have more than doubled, to over £5,000m. Together, these two sources of funds have contributed a proportion of total bank sterling deposits rising from about 18 per cent. in October, 1971, to some 31 per cent. in mid-July.

To a considerable extent, moreover, the two markets are fulfilling the same functions. The inter-bank market, as its name suggests, is the main channel through which the London banks lend to or borrow from each other with well over 200 participants. As was pointed out in the comprehensive article on the subject which appeared in the August issue of the Midland Bank Review, the arrangements are both simple and flexible. Transactions *normally range in amount from* £250,000 up to possibly £10m. or even more, though typically they will probably be of about £500,000. All lending is unsecured, and may be for periods from overnight to five years—though it is mainly a short-term market.

STERLING BORROWING, INTER-BANK AND ON CDs—(£m.)

	All banks Inter-bank	Issues of CDs	Total
1971			
October	2,004	1,863	3,867
December	2,200	2,242	4,442
1972			
March	2,814	2,768	5,582
June	3,295	3,595	6,890
September	3,895	4,487	8,382
December	4,573	4,926	9,499
1973			
March	5,035	5,307	10,342
June	6,134	5,088	11,222
July	6,120	5,266	11,386

Sources: Midland Bank Review August, 1973; Bank of England.

Sterling certificate of deposit, first issued by British banks in October, 1968, and patterned on the U.S. system, is a negotiable instrument with a secondary market made mainly by the discount houses. Issued in multiples of £10,000, with a minimum of £50,000 and a normal maximum of £500,000, sterling CDs run for between three months and five years and normally have a rather longer average maturity than inter-bank lending.

The CD has, in effect, developed a dual function. It was seen, when first introduced, mainly as a method of attracting deposits from outside the banking system. *The big banks have* developed this aspect of the market vigorously in the past couple of years, using the CD to bid actively for the spare short-term funds held by their big customers in the industrial and commercial sector. Corporate treasurers, on their side, have been quick to take advantage of the opportunity for improving the return on their money and for increasingly sophisticated techniques of money mangement. While holdings of CDs outside the banking system have increased substantially, the market has developed even more rapidly as an extension of the inter-bank market itself. Out of the £5,266m. of sterling CDs outstanding in mid-July, a total of £3,376m., or well over half, was in fact held within the banking system itself.

The recent rapid growth of the wholesale money markets generally can be traced back specifically to the new system of credit control introduced in 1971. This removed the restrictions on bank lending, leading to a rapid expansion of overdrafts and providing the big banks with the incentive to bid actively for deposits. Even more important, the change effectively put the big clearing banks, whose activities in these markets had previously been restricted, on a par with other banks which had been more active. This cleared the way for the clearers to participate vigorously in the inter-bank and CD markets.

Higher rate

Finally, the new rules established a technical point making inter-bank loans and CD holdings, at higher interest rates than traditional money market instruments, attractive to the banks as a use of their short-term funds. Neither form of outlet qualifies as a reserve asset, counting towards the banks' minimum 12½ per cent. ratio. But in both cases, while borrowing count as part of the eligible liabilities to which the ratio applies, loans to other banks and CD holdings are deductible. It is therefore only the net position which counts when the banks work out their reserve asset requirements, giving inter-bank and CD loans an advantage over other forms of non-reserve assets.

The great growth of inter-bank dealings, as the Midland Bank pointed out, has effectively added a new dimension to the operations of each bank. Funds surplus to its reserve assets requirements can be lent to other banks; funds needed to build up reserve assets can be borrowed from other banks—so the markets can be seen "as markets in reserve assets at least as much as in deposits." They can be used, moreover, to aid a bank's forward planning, borrowing and lending for *different periods to even out* foreseeable flows of funds (though also involving a risk of loss if interest rates move adversely in the intervening period).

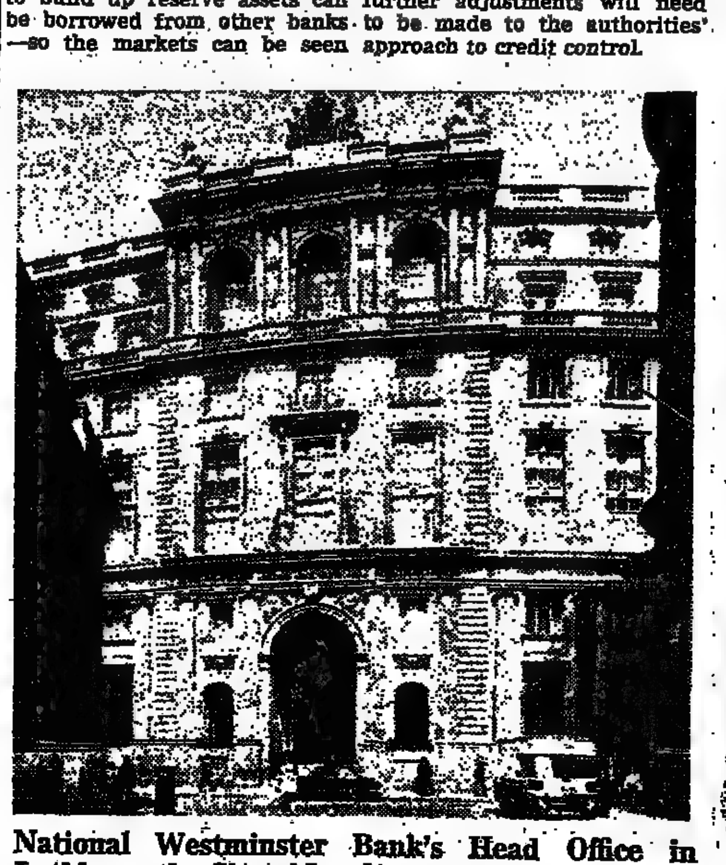
For some sectors of the U.K. banking system the interbank markets are major sources of funds. The Midland Bank pointed out that among the American banks in London, for example, their substantial net borrowing position inter-bank *has represented up to 75 and at* times 80 per cent. of their total sterling resources. The clearing banks are obviously in a different position, with inter-bank loans representing only a small proportion of their total funds. Nevertheless, they have consistently been substantial net borrowers on CDs (more than offsetting their usual net lending position in the inter-bank market). Most important from the point of view of the credit market generally, the inter-bank and CD markets have developed as the main source of marginal funds for the big clearers.

Monetary policy

The wholesale money markets have occupied an increasingly important position in the structure of the credit market, with substantial implications for its working and for the functioning of monetary policy. In effect, they have provided the big banks individually with an alternative to the traditional methods of maintaining reserve ratios when lending is rising. Instead of selling gilt-edged securities, a bank can make up its margin by borrowing from other banks. In a situation where the majority of the banks are in a similar position, the result can be large short-fluctuations in money market rates.

Moreover, partly because of the dual function of the CD market, the course of rates in the wholesale markets has become a main factor in setting the base rates to which the banks relate their overdraft rates. The possibility of "arbitrage" operations by big customers or of switching their sources of borrowing when disparities arise between overdraft and wholesale market rates has, as has been seen dramatically this year, made it very difficult for the banks to protect the ordinary borrower from the impact of fluctuations in money market levels of interest. The money market "merry-go-round," furthermore, has, by inflating both sides of the banks' balance-sheets in the early months of this year and perhaps again more recently, made it unusually difficult to determine the underlying trends of the money supply.

Further growth in the wholesale money markets appears likely, though not perhaps at the rate achieved in the initial period after the end of credit restraints. It also seems probable that, as the implications of the increasing importance of these markets become clearer, further adjustments will need to be made to the authorities' approach to credit control.



National Westminster Bank's Head Office in Lothbury, the City of London.

Bank lending levels continue upwards

By MICHAEL BLANDEN

The contrast between the new and the old systems of credit control in the U.K. have been highlighted by the experience of the past year. Interest rates have soared to record levels against the background of strong official action to restrain the inflationary growth of the money supply. Yet the sharp rise in the cost of money has not been accompanied by anything like the traditional squeeze on bank lending. With the exception of last year's "qualitative" guidance to the banks to direct lending away from speculative and property activities, the banking system has retained the freedom to lend which it has enjoyed since the policy of Competition and Credit Control was instituted in the autumn of 1971. There has, it is true, been talk recently of the possible need for at least a partial return to more direct controls over bank lending, but over the past year there has been a continuation of the substantial upsurge in bank advances accompanied by a large increase in the resouces of the banking system.

As well as underlining the dramatic effect of the recent flexible interest rate policy as the main instrument of monetary control, the developments of the past year have also pointed up the close relationship between the cost of money in the various markets—particularly between the lending rates of the banks and levels in the wholesale markets in the City—and the reverberations in the banking system when these get out of line with each other.

Big customers

The main source of pressure on the banks to keep their lending rates in line with the rest of the market has been the openings which can arise for their big industrial customers to go in for profitable "arbitrage" operations—borrowing on overdraft at relatively cheap rates and lending in the money markets—or more simply to switch their borrowing from other sources to the banks when the overdraft is less expensive.

The sophistication of the company treasurer in making best use of the resources at his command has produced a situation where, though bank lending rates are no longer directly related to the Bank of England's minimum lending rate to the money market—successor to Bank Rate—they cannot long resist an upward movement in money market rates. In the early part of this year there was one period when a substantial rise in lending to industrial customers was quite clearly related to the "merry-go-round," producing a situation where the trends both of lending and of the money supply were obscured by special short-term influences. And during the recent further upward movement in interest rates, there have been signs of a renewal of this situation.

In spite of the month-by-month vagaries of the statistics, however, the underlying trend of bank lending has continued to be clearly upwards during the past year. Though the banks have been through several periods of stress, they have been able to maintain their capacity for lending (sometimes with the help of expensive short-term wholesale borrowing operations). Over the year to July, the latest month available in the Bank of England statistics, bank lending to U.K. residents in sterling rose by over 35 per cent. from £13,158m. to £17,852m.

Within the total, the emphasis of lending has remained predominantly on the personal sector and the financial and services groups. The industrial sector, in spite of rapid economic growth, has shown little convincing sign of a renewed expansion in its bank borrowing to finance new investment in capital equipment and stocks. The general trends are illustrated by the quarterly figures for mid-May, the latest breakdown at present available from the Bank of England. Over the year to that date, total advances to U.K. residents showed an increase of £5,156m., or 39 per cent., a rather higher rate of growth than the 32 per cent. recorded in the previous year.

The financial sector—including property companies (one of the low priorities under the official request last year) hire purchase companies and U.K. banks—increased its borrowing by £1,858m., or 78 per cent., nearly maintaining the high growth rate of the previous year. The personal sector has continued to have a fairly high priority for lending among the banks, anxious both to make up for the neglect of the personal borrower during the years of direct controls on bank lending and to encourage new personal customers into their doors. Through all the pressures of monetary policy, the banks have continued to maintain that finance is available for their personal customers. Nevertheless, there has been some sign, particularly this year, of the demand for personal and consumer finance slackening after the initial burst when lending controls were removed. Over the year to mid-May, lending to the personal sector showed a substantial increase of £1,121m. or 57 per cent., compared with an increase of nearly 80 per cent. in the previous year.

It is the industrial sector which continues to represent the apparent anomaly in a situation of rapid economic recovery. On a number of occasions over the past year the banks have reported that they had detected signs of the long-expected upturn in the demand for loans from manufacturing industry, particularly among the smaller and medium-sized companies. And at one stage early this year it did begin to look as if industry really was taking very much more money from the banks. That, however, was a temporary phenomenon associated with the merry-go-round. Overall, industrial borrowing has continued to lag behind other sectors, with an increase of only £747m., or 17 per cent., in loans to manufacturing industry during the year to mid-May (though this was still much more than the 2 per cent. rise in the previous year).

Reserve assets

The average reserve ratio of the banks has fairly consistently been held at a level comfortably above the minimum of 12½ per cent., in a period when the banks have experienced a further sharp increase in their resources — with sterling deposits rising by £8,371m. to £36,370m. in the year to mid-July. It jumped as high as 15.7 per cent. last December, with the London clearing banks alone at 16 per cent., as a result of the special influence of a large slice of short-dated gilt-edged stock held by the London clearers qualifying for inclusion in reserve assets.

There have been two main periods when the banks have been under pressure. The first was during the early months of this year, when following the 2 per cent. call to special deposits in December (designed partly to offset the expected boost to reserve assets) the normal seasonal increase in demand for borrowing was exaggerated by the effects of the merry - go - round. The average reserve rato dropped to 13.6 per cent. in mid-February. The second has been very recently, under the pressure of the further 1 per cent. special deposits call during the first half of August, when there is no doubt that the banks, as interest rates rose to their peak levels, were in some difficulty in maintaining their reserve assets.

The month-by-month fluctuations in the pattern of lending, therefore, have tended to reflect mainly short-term influences, most obviously during the periods of rising interest rates. During the last quarter of 1972, bank lending in sterling to the domestic private sector was rising fairly steadily at between £425m. and £500m. a month on a seasonally-adjusted basis.

In the early months of this year however, as bank base rates rose towards 9½ per cent. in mid-February, following the sharply higher money market rates prompted by the special deposits call, lending was boosted as big bank customers took advantage of the disparity of rates. On a seasonally-adjusted basis, sterling lending to the domestic private sector jumped by £529m. in the month to mid-January and by another £452m. in February. After that, however, the rate of increase slowed down, with the impact of the unwinding of the arbitrage positions built up in the earlier months showing through in the statistics. In March, the rise in lending was only £290m. and in April the increase fell back to just over £200m. — with the London clearing banks, after adjusting for the inclusion of Forward Trust as a full bank, actually showing a fall in their lending during that period.

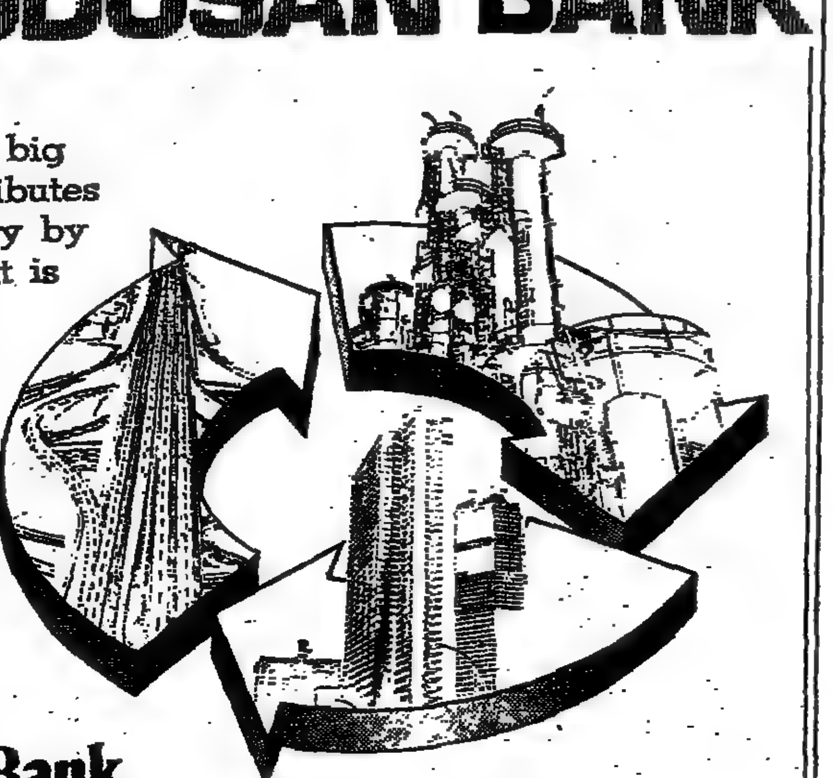
More recently, lending has risen more sharply again. In the month to mid-June, the total of sterling lending to the domestic private sector increased by £585m. after seasonal adjustment — though the indications were that there had been no significant change in the underlying trend. The July period brought an exceptionally large jump of £836m. of which a major part was attributed to the debiting of half-yearly commission and interest charges. The interesting question at present is how borrowers, particularly among the banks' customers in manufacturing industry, are likely to respond to the renewed rise in interest rates and the increase in base rates to the record level of 11 per cent. at the clearing banks.

In the past few months, industry has probably been able to hold off from substantial reliance on bank loans partly because its already high liquidity has been temporarily boosted by the changeover to VAT. While there was evidently some revival of arbitrage and switching operations during August, as during the earlier period of rising interest rates, the banks have been expecting a more significant upturn in demand for loans from industry from the autumn onwards.

K. BANKING SECTOR: MONTHLY CHANGES—(£m.)

		Lending to public sector				Lending to private sector			Lending to overseas	
		Total				Sterling				
Month ending	Total assets	Un-adjusted	Seasonally adjusted	Central government	Other	Unadjusted	Seasonally adjusted	Other currencies	Sterling	Other currencies
72 July 19	+2,037	−466	−493	−381	− 85	+ 921	+702	+144	+ 8	+1,430
Aug. 16	+ 543	−100	−128	− 96	− 4	+ 104	+232	− 3	− 8	+ 550
Sept. 20	+1,294	+220	+158	+189	+ 31	+ 183	+280	+ 80	− 9	+ 820
Oct. 18	+1,256	+ 96	− 99	+ 64	+ 22	+ 324	+426	+ 47	+54	+ 735
Nov. 15	+1,111	− 95	− 60	− 26	− 69	+ 395	+455	+102	−25	+ 731
Dec. 13	+1,328	+106	− 49	+107	− 1	+ 373	+494	+160	+13	+ 676
73 Jan. 17	+1,401	+267	+ 87	+364	− 97	+ 636	+529	+133	−19	+ 384
Feb. 21	+1,716	−211	+443	−279	+ 63	+ 734	+452	+143	− 8	+1,058
Mar. 21	+1,102	−197	+ 9	− 94	−103	+ 347	+290	+ 35	−36	+ 953
Apr. 18	+ 650	+284	+ 68	+204	+ 80	+ 98	+207	+ 39	+38	+ 191
May 16	+ 235	− 27	+ 75	+ 8	− 35	+ 284	+251	− 19	− 1	+ 18
June 20	+ 856	+192	+ 81	+231	− 39	+ 455	+585	+ 85	+25	+ 99
July 18	+3,351	+222	+229	+ 77	+145	+1,224	+836	+ 83	+37	+1,785

Source: Bank of England.



U.K. BANKING VIII

Phase Two underlines policy conflicts

By MICHAEL BLANDEN

The political controversy which has arisen over the exceptional growth of profits among the big banks this year is a reflection of the problems of applying to the financial sector the controls on prices and margins under the Phase Two counter-inflation policy, and of a conflict of two main policy objectives.

The difficulty has been evident ever since the Government's plans for Phase Two were set out in the February Green Paper. This included only the briefest reference to the banking sector, leaving the details of the system to be worked out in further discussions among the authorities and the banks. The results of this operation, against the background of high and rising interest rates, has prompted suggestions that stronger action should be taken to restrain bank profits either in Phase Three or even under the present rules. There are signs that the banks themselves, strongly aware of the embarrassing political and social implications of their booming profits, are anxious to examine ways in which some of the benefit they gain from high interest rates might be passed on.

The problem arises essentially out of the need to exclude interest rates from the controls applied to all other prices. The level of interest rates, always a major instrument of official economic and monetary policy, has assumed even greater importance since the introduction of the policy of "Competition and Credit Control" in the autumn of 1971. The workings of this policy have been seen in dramatic form this year in the context of the need both to limit the fall in the value of the pound and to restrain domestic monetary expansion. The "endowment element" in bank profits, though less significant than in the past, has contributed to sharp rises in their profits which are certain to be increased even further during the rest of the year if interest rates remain at recent levels.

The controls over the banks worked out in the discussions between them and the Treasury earlier this year bring them under the Phase Two rules, as was laid out in the reminder which the Price Commission sent out to them at the end of July and subsequently published. In effect, they divide the income of the banking sector into two parts; the fee and commission income of the banks is subject to the normal controls applied to all prices under Phase Two, while the interest income, though exempted from price controls, is subject to a parallel restraint on the profit margins which the banks may earn, related to the overall level of their resources.

On the non-interest side, the big four banks (Barclays, Lloyds, Midland and National Westminster) are required to pre-notify increases in charges to the Price Commission. They, and all banks and finance houses with gross sterling deposits of £200m. plus on March 30 have to provide periodic returns to the Price Commission, showing details such as income, profit margins, variations in charges and costs, and the calculations of the profit margin "reference" levels required under the Code. These the big banks, along with other companies, have already submitted for the first period up to the end of June.

Interest charges

The interest charges of the banks and finance houses, as the Commission's notice pointed out, "are not subject to control under the Price Code nor are they subject to the reporting requirements of the Information Order." The special arrangements, however, provide for the Commission to "receive and to give preliminary examination (on behalf of the Treasury) to returns on reference levels and the periodic reports from the enterprises concerned on their net profit margins on interest earning business." The results of the Commission's examination are being passed on to the Treasury, which has the responsibility for taking any necessary action to restrict bank profit margins on interest income. If their margins were exceeded, it has been indicated, action could include cutting or eliminating the interest which is paid on the special deposits with the Bank of England.

This would be a potentially powerful instrument. Following the further recent call of special deposits, they now total over £1,000m. from the banking sector as a whole. Interest is paid on these at, roughly speaking, the Treasury bill rate, which has recently reached levels not far short of 11 per cent. The big four banks, however, have been confident that, in spite of profit increases ranging between 75 and 96 per cent. in the first half of the year, they had, nevertheless, not exceeded the profit margin limits on interest income under the rules as they had understood them. One of the main reasons for this has been the change in the character of their business. Like other businesses, they have been able to set the reference levels for profit margins in relation to those ruling in the earlier part of the relevant period. At that time, the element of interest-free current account money in their resources was relatively more important and margins overall higher; the growth of wholesale business since then, where margins on funds bought at the going rate in the open market are much lower, has substantially reduced the impact of the endowment effect.

In partial defence of their large profits, moreover, the banks have pointed out that to a substantial extent their results have reflected the considerable growth of their resources under the free competition in banking brought in with the new credit control regime. The corollary of this is that a considerable proportion of the increased profits are needed to increase the banks' own reserves in line with their larger deposit resources. Nevertheless, they are well aware of the public impact made by their profits—underlined by a number of comments in Parliament and elsewhere. They are seen to have gained substantially from charging record rates to their borrowers, and have been the instrument through which the Government's monetary policy has taken effect on other sectors of the economy including particularly the building societies. And it seems clear that at recent interest rate levels the banks will be over their margin limits during the latter part of the year.

Some moves have been made by the banks to reduce the effect of high lending rates, and more are expected. One has been a cut in the spread between their overdraft rates and the rates they pay on deposit accounts. This was led by Barclays, when it put its base rate up by two points to 10 per cent. in early August and its deposit rate up by a full 3 per cent. to 9½ per cent., though reduced again when base rates moved up to 11 per cent. and all the big four banks went to a 9½ per cent. deposit rate. Another has been the effective reductions in charges to personal current account customers introduced by four of the five London Clearing banks—with National Westminster planning further revisions to the structure of both its charges and interest rates.

Their room for manoeuvre in "voluntary" restraint, the banks argue, is limited. They are unable, of course, to pay more to their employees. Cutting charges, except as a temporary expedient, is limited by the overall policy of charging the true cost of a service to customers. And reducing margins by paying more for deposit accounts has already run up against the problem of enhancing the competition for funds with the building societies.

Tougher action

Tougher official action, though, remains a possibility. There has been some feeling that even under the rules laid down for Phase Two the Treasury might step in. The situation was surrounded by a good deal of uncertainty, largely as a result of the decision by the hard-pressed Price Commission not to carry out its original plan of providing special guidelines for the banks but to offer them only the general guidance given to all companies submitting returns.

In relation to the special circumstances of the banking sector, and the rules on interest income, there remained a number of important grey areas—the division of overheads between different types of business, for example, the treatment of subsidiary companies and other issues of definition. It was for this reason that the British Bankers' Association took the step of sending its own guidelines out to members, covering the details which had been agreed with the Treasury in the earlier discussions and its understanding of how returns should be submitted.

There has, in fact, been no indication of any official plan to interpret the rules in a way which would permit the authorities to jump on bank profits at this stage. There is, nevertheless, ample room for reconsidering the experiment in the light of experience so far. Mr. Vic Feather, for example, has suggested that special deposits should be used as an instrument not only for reducing the banks' profits by removing the interest paid, but as a positive method of guiding the use of resources by imposing a negative interest rate on special deposits and using the proceeds to subsidise the building societies. Within the general structure of controls over bank profit margins, adjustments could quite simply be made to stiffen the basic criteria—for example, by splitting wholesale borrowing and lending, where margins are much narrower, off from the retail business and treating them separately. Further consideration of these issues can be expected by both the banks and the authorities.

Money shops gain ground

By JAY PALMER

It would hardly be surprising if the rash of money shops now spreading throughout Britain's high streets and shopping precincts was accused of producing at least some degree of paranoia in the boardrooms of the big clearing banks. After all the new shops are opening in direct competition with the clearers' branches and, whatever their original intentions may have been, all the signs indicate that, even if they are not acutally capturing bank trade, they are certainly pulling in business that might otherwise have gone to the traditional suppliers of money.

It is not even as if the intruders' apparent, if sometimes disputed, success can be attributed to anything quite so simple as the provision of new services. It is a matter of record that most of the existing money shop chains offer the public nothing more than the complete range of normal banking services. The problem is much more tricky than that and strikes deep at the roots of traditional banking practice in that the money shop concept is basically that of combining existing retail banking with (American style) high pressure salesmanship. In fact, it all boils down to little more than a marketing drive.

And what is worst of all from the banks' point of view, it looks as if a significant slice of population is willing to pay the higher money shop charges (up to 50 per cent. more) if sold in the right way for just the same services that the banks are offering.

But let us go back to the origins of the money shop phenomenon. The first one, as such, in Britain was opened in the summer of 1970 by the First National City Bank of New York (Citibank). Since then that group has expanded its chain of "moneyshops" to some 25 branches while the outlets opened by United Dominions Trust, Western Credit, the First National Bank of Boston and Bowmaker bring the total in the U.K. to over 50.

Without accounts

All these groups planned their expansion into retail banking on just about the same theories. Undoubtedly most important was the feeling that there existed an untapped potential market for retail banking within the 55 per cent. of so of the adult population without bank accounts. The idea was to penetrate this financially naive market with what boiled down to a glamourised version of retail banking.

That is to say the new outlets would keep normal retailing hours in order to make access easy. They were to be located in and around the High Streets and shopping precincts with large, noticeable window displays that would draw potential customers in on an impulse basis. Once in the "shop," the theory went on, they would be able to discuss all their financial problems with young attractive financial advisors who would be able to "sell" the services.

To bolster this emphasis on sales, all the money shops sported cheerful, modern retailing lay-outs. But equally, none of them offered the public anything new. In truth, they aimed to provide a "banking operation with a welcome on the doormat."

Losing business

So in the circumstances it is easy to see why everyone was just a little surprised and perturbed when an Opinion Research Centre survey was published late last year showing that the big clearing banks—and, to be fair, the finance houses—were actually losing business to the money shops. Although the clearers were quick to deny this point (although a few admitted that they might, just might, be capturing some business that might otherwise have gone to the banks), it did tie up the experiences of both UDT and Citibank that well over half of their impulse visitors and over 40 per cent. of their eventual customers have existing (if dormant) bank accounts.

In retaliation to this new threat, the banks were quick to make a big thing of the fact that the money shops' only claim to originality lay in their emphasis on a modern image and salesmanship. It was even at that time still generally agreed in banking circles that the substantially higher charges levied by the money shops for normal banking services must doom them to failure.

The trouble from the banks' point of view is that this failure seems to be becoming a more distant prospect virtually every day. Of course, it is all very well saying that few can still really doubt that the money shops are a success but that this success is still impossible to define—none of the money shop chains have yet released any figures shedding any light on either the start-up costs, running-in periods or eventual profitability of the oldest outlets.

All the same there are some very strong hints as to how things are going. First, of course, we have the Opinion

Continued on next page

U.K. BANKING IX

Banks move to reform system of charges

By BILL COCHRANE

This year has seen some basic reforms in the way clearing banks charge their customers. The fact that a great number of those customers are still ignorant about the way charges are calculated, and the competitiveness of individual banks, is perhaps a hangover from the bad old days—when the Prices and Incomes Board commented on the absence of a single published tariff in its 1967 report on bank charges.

With Phase Two, and its exhortations about restraining the net profit margin in mind, the clearers obviously had to show some signs of competitiveness. Rocketing profits, with the jump in interest rates enhancing the margin on non-interest bearing current accounts, would otherwise seem bound to have led them into political trouble.

But now that Williams and Glyn's Bank has announced a far-ranging simplification of its system of charges, meaning a reduction in costs to the majority of its customers, the situation adds up to four of the five London clearing banks making moves in this direction. The fifth is Lloyds, standing pat for the moment; but Lloyds, as our table shows, already had charges which were both relatively cheap and simple.

Among the rest, Barclays led the way by establishing for the first time among the London clearers a standard tariff applying to all personal account customers; this effectively put them all on what was previously known as preferential "employee" or "group" terms. The new terms allow customers 30 free drawings in each half-year as long as an average balance of £100 is maintained. If the average balance drops to between £50 and £100 there is a charge of 75p, which rises to £1.50 if the balance is less than £50 but not overdrawn. Where the drawings are more than 30 in a half-year, a charge of 7½p is incurred for each extra drawing; but if the balance is over £100, a notional interest of 2½ per cent. is defrayed against these charges.

The Midland Bank basically followed Barclays' lead, its tariff being identical except that the notional interest rate allowed was 3 per cent. instead of Barclay's' 2½ per cent. However, National Westminster Bank decided to reduce its charges by another method. The notional interest rate was increased to 5 per cent. per annum on the average current account balance, regardless of whether the amount was over or under £100.

BANK CHARGES ON PERSONAL ACCOUNTS OVER A PERIOD OF ONE YEAR
FIGURES IN BRACKETS GIVE CHARGES BEFORE RECENT CHANGES

Number of cheques drawn	Average maintained balance	Barclays	Midland	NatWest	Lloyds	Williams & Glyn's
50	£50	£1.50 (£2.75)	£1.50 (£3.25)	£2.50 (£3.75)	£1.50	£1.50
50	£100	Nil (£1.50)	Nil (£2.25)	Nil (£2.50)	Nil	Nil
100	£50	£4.50 (£6.75)	£4.50 (£7.50)	£7.50 (£8.75)	£4.50	£5.50
100	£100	£3.00 (£5.50)	£3.00 (£6.50)	£5.00 (£7.50)	£3.00	£3.00
150	£100	£6.75 (£9.50)	£6.75 (£10.75)	£10.00 (£12.50)	£6.74	£7.00
150	£150	£5.50 (£8.25)	£5.25 (£9.75)	£7.50 (£11.25)	£5.24	£4.50

Only one

Natwest's notional allowance compares with 2½ per cent. just before the year-end, the idea being to bring it more in line with prevailing general interest rates at the time; unfortunately, of course, prevailing interest rates have since gone a lot higher. Natwest still runs a group scheme but for the ordinary account, as can be seen from the table, charges appear to be more expensive than for the rest of the clearers. In addition, Natwest is the only London clearer to make any charge for credit entries in the account, putting charges at around 10p per entry before any notional allowance.

However, Natwest has already promised a wholesale review of its charging system, taking in the structure of interest rates as well. Lloyds is also likely to review both the structure of its charges and the timing of their payment. Meanwhile, Williams and Glyn's, by producing an exceptionally straightforward tariff of charges, giving it maximum publicity both through direct contact with customers and through newspaper advertising, has probably done its public relations no harm at all.

W and G is by a long way the smallest of the London clearing banks, with some 250,000 personal customers, and generally speaking those customers make more than average use of their accounts. Its new system involves a flat charge of 6p for each automated transfer—automated meaning basically the standing order which lends itself well to a computerised banking system—and a flat 8p for any other entry on the account. There is a notional interest allowance, and quarterly rather than half-yearly charges, but the lower charge for standing orders is the really significant item.

In the past, standing orders were regarded as expensive. But W and G obviously works out the cost of these, via a computer operation, as less than that of other transfers. And it is probably computerisation, along with the big merger movement among the major clearers, which has made it a more simple process to change the system of charges.

Step by step

One step at a time, therefore, the banks have come closer and closer towards satisfying the recommendations put forward by the PIB report, with an eye to reforming the banking system, as far back as 1967. "Hidden reserves" are a thing of the past, with disclosed profits reflecting more clearly the fluctuations—lately upward, and massive—in banking profitability. Competition, rather than collusion on interest rates is the fashion now; the standard charges tariff, albeit with variations for the individual banks, is the latest criticism to be met.

The question is how much further, and by what means, they will continue on the competitive road, and also, perhaps, what they will do to discourage criticism at second hand—of the borrower who simply takes advantage of the difference between its own—sometimes "blue chip"—borrowing rate and the rate for lending it out in the money market, putting the difference in his corporate pocket and doing nothing for the economy in the process.

It has been said that the banks find it difficult to identify these "liberty-takers." It may be that a different definition of the corporate overdraft limit is required, with an eye on what a company might need, and effectively employ for genuine investment purposes rather than what its assets will secure. Certainly, if the clearing banks are going to broaden their role in serving industry and commerce—and the ambition seems to be there with the moves to establish, or acquire merchant banking arms—then they can hardly use ignorance of the circumstances of their corporate borrowers as an excuse for indiscriminate lending.

NTINUED FROM PREVIOUS PAGE

Money shops

...arch Centre survey. In this only attempts to ...yse the turnover, it still ...s quite an information gap ...rms of profit margins. But, ...l fairness, those cannot be bad given the charges ...lved. Secondly, we have ...sheer way in which the ...ing money shop operators ...st of whom have been in game for over two years —are planning whole hosts ...uture openings. It gives ...idea as to exact profit...ty but, if Citibank and UDT happy enough with their ...ing outlets to want to ...ally double their number ...he end of 1975, who can ...t their success.

...nally, there is perhaps the ...significant point of all— ...changing attitude of the ...ing banks themselves. ...e are really two separate ...s altogether—first that the ...ers are making determined ...s to accelerate their ...isation with matching ...gs on Saturday. Whether ...true or not, there have ...reports that the clearers ...to use the threat posed by money shops in their argu...s with the National Union ...ank Employees over Satur... openings.

And then there is also the undeniable fact that as of earlier this year, the Midland Bank—through its wholly owned subsidiary Forward Trust—became the first of the clearers to actually go into the money shop game. If the Midland thought the exercise was worth it, it looks as if the clearers are becoming converted.

Other intruders

But the banking battle for the retailing sector has not been entirely confined to the money shop scene—even if that particular bridgehead has been the setting of some of the biggest conflicts. As far as the clearing banks are concerned, they are also facing intruders in the form of "in-store" banking. Perhaps the best known of these are the Co-op, which has some 4,000 in-store banks. The Trustee Savings Bank also provides cause for concern to the clearers with its 1,500 offices; slightly less well known, is London and County Securities with over 20 branches.

The aim in this case is to again provide a shop, but specifically within another shop that will attract customers and promote, indirectly, the need for banking services of both cash and credit provision.

Looking at the overall retailing scene of banking, one has to make it very clear that whatever the publicity given to the banks' competitors, they are all still very small in comparison. But the indications are that the banks are losing ground on all sides for a number of reasons. First, their avowed intention of concentrating on the industrial sector (to the specific exclusion of the personal sector in times of credit shortage). Second, their inherent unwillingness to move away from the traditional and possibly frightening image which many bank users are tending more and more to resent. Finally, because of the unwillingness of their employees' union to let them compete on equal grounds in terms of opening hours.

In view of this the fact that more and more people are, rightly or wrongly, prepared to pay considerably over the banks' odds for more attractive, convenient and friendly service, in the next few years the banks will really have to start looking at the question again.

...ibank Trust's money shop in Ealing, west London.

U.K. BANKING X

Need for reform of consumer credit law

By KENNETH GOODING

The Government considers that reform of the law on consumer credit is urgently needed and is expected to implement the necessary legislation next Parliamentary session. It has already indicated the major changes it will make and as a result has generated disappointment, and to some extent hostility, from some organisations operating in the credit arena—particularly some of the finance houses.

A committee headed by the late Lord Crowther 2½ years ago produced suggestions for dramatic changes in the consumer credit field and its package involved the repeal of some archaic statutes to make way for the enactment of two new ones. The first was to have been a consumer sale and loan act concerned primarily with the protection of the consumer while the second was to have been a lending and security Act to give a new look to the general law relating to security and loan transactions.

Security register

Central to the Crowther proposals in the lending and security area was the establishment of a register of security interests. But the Government maintains it can find no convincing evidence that, were such a register to be established, it would be sufficiently used to justify its existence.

Much to the disappointment of the finance houses, although the Government has decided to speedily reform the law covering consumer credit, it has decided that the rest of the Crowther recommendations need much more work and thinking before the complex legislation involved can be contemplated.

What the Government intends to do is to repeal the present Hire Purchase Act 1965, the Pawnbroking Acts and the Moneylenders Acts and modify in some degree several other Acts. The fundamental basis of the new Act is that "it will give equal protection to the consumer no matter the form of the agreement into which he enters provided, of course, that it is an agreement for credit—whether in the form of a money loan, a hire purchase agreement, a loan linked to the purchase of goods or a credit sale," declared Lord Limerick, Parliamentary Under Secretary of State for Trade in one of a number of speeches he has made on the subject.

He added: "Let me illustrate this. At the moment if a consumer enters into a hire purchase transaction there are certain strict requirements about the provision to him of copies of documents he signs. There is no such provision if it is a personal loan transaction unless that loan is granted by a moneylender or by a pawnbroker. Loans by moneylenders and pawnbrokers are governed by strict rules, but ones which are by no means the same as those for a hire purchase agreement.

"If a consumer takes a loan from a moneylender and the terms are harsh, the agreement may be reopened by the Court and rewritten in more equitable terms. But an agreement for the same amount of money taken out with a lender who is not a registered moneylender cannot be so reopened; neither can a hire purchase transaction written in harsh terms. The objective of the legislation will be to provide this protection right across the Board for all types of transaction."

The Government intends to follow the pattern set by the 1965 Hire Purchase Act (a step envisaged by the Crowther committee) but will extend the rules in this Act right across the spectrum of consumer credit transactions. Imported into it will be the "harsh and unconscionable" provisions similar to those in the Moneylenders Acts.

Two other important additions will be about disclosure of the "true" cost of credit and provision for a statutory rebate of charges in the event of early settlement of a loan or hire purchase transaction, calculated according to an approved formula.

Over and above this general treatment, certain lenders will have additional restrictions or regulation imposed on them if they operate in a particular kind of way. For example, issuers of credit cards will have certain rules applied to them regarding the circulation of such cards—including a ban on unsolicited mass mailing.

Lenders who take security by way of pledge will have rules laid down as to how that pledge should be taken. Lenders who enter into a business relationship with a seller of the goods will have to bear certain responsibilities for the quality of the good thus sold.

Said Lord Limerick: "Matters move quickly in the world of consumer credit and it is the intention to make the new legislation as flexible as possible so that it can be amended easily to cover new circumstances."

The Crowther Committee also envisaged the establishment of a Consumer Credit Commissioner to oversee and enforce the law. The Government has not gone along entirely with the list of duties for such a Commissioner which the Crowther Committee suggested but agrees that someone is needed not only to enforce the new law (when it arrives) but also to keep that law up to date by recommending to Ministers when the Act or regulations under it should be changed.

On this subject Lord Limerick has commented: "Once the present outmoded forms have been brought up to date, they must be kept up to date. And we think the Commissioner should look after the interests of both lenders and borrowers, so that the scales are never unbalanced."

The Government also intends to provide a new licensing system which will apply equally to all lenders and which will enable the holder to enter into any form of consumer credit he wishes. The licensing system is "solely to protect the consumer from the unscrupulous" but it should also lead to much more flexibility in the forms of consumer credit offered, and in turn to greater competition, or so the Government believes.

And with an eye on the spread of credit reference bureaux, there is to be a licensing system for these operations too. Among the conditions for getting a licence, these agencies would be required for a "modest" fee to disclose to an individual information about himself held on the agency's records. The agency would also be required to amend the record where it was shown to be wrong.

Some in the finance houses feel that the Government has struck the balance too in favour of the lender its intended legislation, but are more concerned about failure of the Government implement the Crowther age as a whole.

Perhaps the most attack on the Government posals came in the Houses Association "Credit" when Professor Goode declared: "It sufficient to engage in superficial tinkering with structure of credit law interests of both the and the industry require complete modernisation credit law in order to just solutions to common lems and to facilitate the working of legitimate transactions. . . .

"The present hotchpotch ill-assorted legislation barrier to efficient business distorts competition by encing the form and of a security instrument wholly artificial reasons. proposed legislation, far simplifying the law, will complicate."

And one of the major put forward by Professor in support of the idea entire Crowther package implementation was the U.K. is now a member EEC, which in turn is on the harmonisation of affecting the granting of —" and we in Britain the opportunity to influence thinking of the European mission and to play a shaping the legislation result and become part domestic law."

Larger share

Compared with this is that of Lord Limerick Government's spokesman maintains the long-term fits to the credit industry forthcoming legislation "immense" enabling can compete to do so who can offer a better to get a larger share market. "The intention legislation will be to sound rules applying leaving no loopholes reasonable discrimination that the lender is freed out-dated restrictions, is innovate and flourish consumer is at the same given all reasonable prote

EEC harmonisation

By A. H. HERMANN

So far, Britain has had most of the banking business while Continental Europe has had more of the elaborate banking rules. Indeed, Britain, up to now, has been the only European country without a banking statute. The EEC harmonisation proposals aim at a redistribution of both the business and the rules. British bankers could not be expected to embrace these objectives with enthusiasm even if the proposed set of rules was more practical and better thought out. On the other hand, British bankers also feel the need to adjust to changes in industry, and if banking rules are to be changed, or new introduced, why not do it in harmony with the Continent, always provided that Brussels accepts that harmonisation is a two-way process.

An EEC Council Directive, adopted in July 1973, now requires all EEC countries to adopt, before 1975, legislative measures to liberalise the establishment of branches by foreign banks and the rendering of financial services across the internal frontiers of the Community. Member states will have to remove not only laws discriminating against foreign banks but also give up administrative practices which have such effect.

Second directive

The liberalisation of financial services relating to capital movements is limited to the services listed in the directive, but it is intended to add to this list as capital movements are further liberalised. Foreign exchange dealings are not included in the liberalised services because of its link with foreign exchange control in a number of countries.

The second banking directive proposed by the EEC Commission aims at the harmonisation of banking regulations in member States and is proving to be a much more difficult problem. It provides much opportunity for the British "pragmatic and flexible" approach to clash with the Continental habit of precise formulation of requirements and detailed Governmental supervision.

One of the main features of the EEC proposals is the formal licensing of banks which contrasts with the gradual climbing of U.K. institutions from one form of recognition to another, as permitted by the informal vetting system of the Discount Office of the Bank of England. The categories created by this system were criticised by the Crowther Committee and EEC harmonisation will probably only speed up their revision.

The second important feature of the proposals are elaborate provisions for solvency and liquidity ratios. The rigidity of the provisions may be irksome but differences should not be unsurmountable.

A much more problematic aspect of the proposals are its reporting procedures. Banks would be required to report to the supervising authorities all loans over £100,000. Further, there are provisions for consultations between national authorities whenever a intends to grant a across-the-border credit practice this could result introduction of a permit for such operations.

Finally the draft provides procedures by which of non-EEC banks supervised to ensure they comply with EEC liquidity

Continued on next page

U.K. BANKING XI

Computers in the forefront of current developments

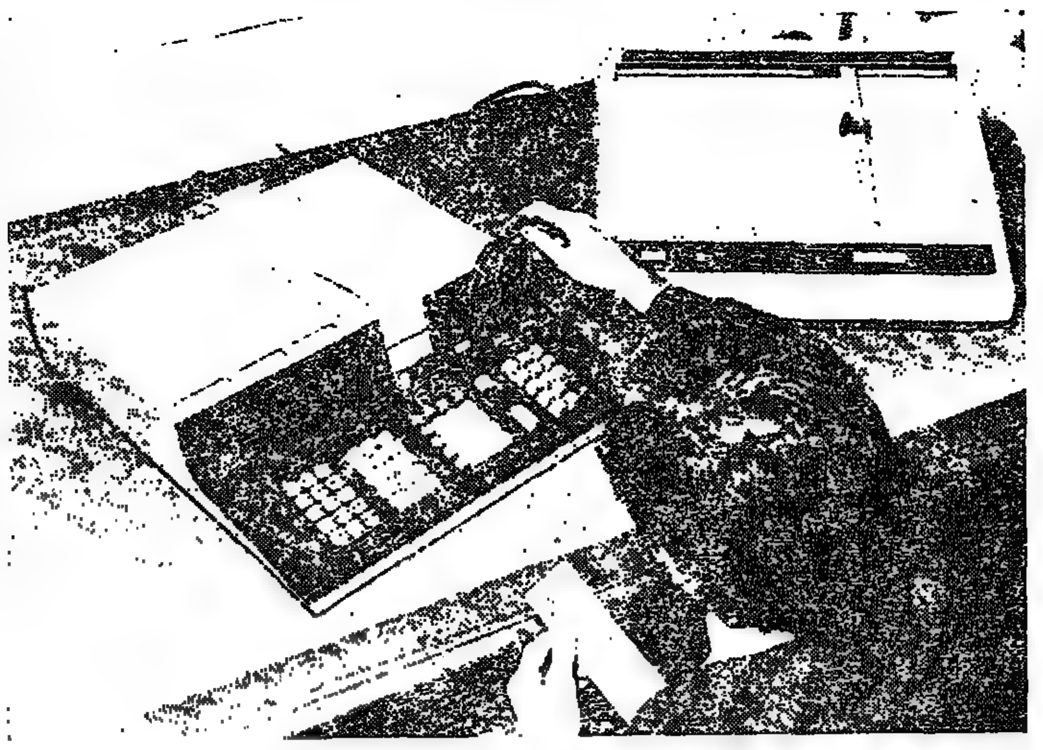
By TED SCHOETERS

Growth in the general use of credit cards and a further tightening of an already close grip on the major banks by IBM were the main features of the U.K. banking scene during the past twelve months.

Both developments will be of considerable importance over the next decade and in the immediate future will play a considerable role in automation of the banks at the customer end, as well as in the way IBM plays its cards with its three major banks—Barclays, National Westminster and Lloyds.

Meanwhile, any further *worsening in the staff shortage* situation in cities and towns around the country can only accelerate the banks' adoption of highly automated cashier positions—the present sparse sprinkling of cash dispensers is only a very small earnest of what is likely to come.

Automatic, computer-controlled cashier's terminals are not new. NCR proudly announced Europe's first all of eight years ago. For more than a year, similar cashier's keyboards linked to a concentrator *on the premises and then by* Post Office line to a big central computer have been working in a group of Trustee Savings Banks' branches, equipped as to positions by Olivetti and as to the central processors by ICL.



A Hewlett-Packard Model 10 programmable calculator and X-Y plotter in use in the Management Accounting Department of Barclays Bank Trust Company.

Cash dispensers

Now, however, IBM has taken up the challenge of Burroughs—*with its stand-alone and new* in-house cash dispensers—and of the many small U.S. organisations which have been building dispensers and terminals of various types with that country's problems in view, but the European and other world markets as potential outlets.

The market leader has, with characteristic thoroughness, developed all the equipment a bank branch could possibly want to carry through automation to a very high degree. It will transform customer operations out of all recognition, greatly reduce waiting time, even at peak periods and improve employee productivity while giving each branch manager a large number of local options to suit conditions in his area.

IBM has called the array of equipment its 3600 Finance Communication System, a far cry from the "idiot" terminals *of a few years ago. Owing a* great deal to the development work the company did with and on behalf of Lloyds, among others, the hub of the equipment is the controller. This is a small computer which has not been cannibalised from another series as was the controller for the first IBM on-line branch terminals. It was developed for the specific purpose of serving as a sort of watchdog and memory for all transactions which do not need information from the central processors at head office, but with ability to store and forward information and queries for the centre when the latter can cope.

Looked at in this light, the 3600 does not add to the burden on the central processors of the head office system in peak periods, as do the on-line cash dispensers Lloyds is now installing since they must function on demand.

The controller oversees several important peripherals, the first one of which so far as the customer is concerned is the cashier's terminal. It has a clear gas panel display and a keyboard to gain access to the controller and transact the business in hand. Up to 240 characters of information can be displayed at one time and, if required, the terminal can have a magnetic stripe reader-encoder.

Information to be produced in response to instructions from the *counter, or in the back* office for administrative use, could be provided from the controller on a document printer which uses a new type of print head in the form of a spinning disc. A document chute will take single or multi-line bank forms. A passbook printer caters for TSB and similar organisations and a fast administrative line printer for the needs of the management, particularly where large numbers of copies are required.

Self-service from a cash dispenser can be secured through the use of a card bearing a magnetic stripe. This dispenser has, however, many more functions than the Lloyds model on which it is based in part.

A major feature is flexibility to permit money to be withdrawn from one of several accounts held by an individual customer, as well as ability to answer a series of questions on the accounts and to coded messages requesting, for instance, a new cheque book.

In "through the wall" installations, this terminal can be made to act as a mini-bank through judicious selection of the appropriate code messages which can be general, or personalised through the operation of a client's code number.

This terminal closely resembles one demonstrated to the major U.K. banks some few months ago by a U.S. company which has had a degree of success in selling to local banks who are facing the problem of expanding in areas where building costs are prohibitively high.

Both would be able to accept suitably encoded credit cards should these eventually become the media for recording the holder's transactions not only with his bank but also with all the shops and services he has to deal with to live.

Cashless society

The same facility is offered by the new *Burroughs* dispenser intended for on-the-premises installation in a bank.

The important thing is that much of the equipment that would be necessary to cope with a virtually cashless society has already been developed. It remains to be seen just how quickly the clearing banks will respond.

Anything that relieves the increasing burden of cheque handling and its leaping costs would undoubtedly be welcomed by them.

One thorny aspect of the cheque handling procedure has been the number of unreadable rejects from the computer-controlled reader-sorters. It has been tackled for Barclays Bank by an array of equipment designed by Olivetti to cope with the 160,000 or so rejects per day in peak periods from the 2m. plus cheques sorted.

Forty key stations linked into two key-to-tape systems provide the basic system which is used by operators to interpret defaced cheques, concentrate the information on tape and can be extended to provide input of rejects to the central processors dealing with bank branch accounting.

Also at Barclays, but in the Trust Company, programmable calculators and graph plotters operating under program control are helping staff to speed assessment of the profit-*ability of the 100 or so branches.* Graphs of earnings against expenses can be drawn in seconds as can histograms to show distribution of money between various funds in a portfolio.

Performance of individual shares can be measured graphically against the FT index without more ado than pressing a few keys or inserting a programming card, while gilt-edge and debenture stock calculations become child's play, releasing expert staff for more important jobs.

Hours of drudgery have been eliminated which is important when the value of adequately trained staff is considered.

Use of programmable calculators of this kind, able to do a wealth of financial calculations on demand and absolving staff from having to use the coding necessary to solve problems through a time-shared computer is likely to grow quickly, extending automation in the banks to the back-room boys.

CONTINUED FROM PREVIOUS PAGE

EEC harmonisation

solvency requirements and other rules. It appears that the supervising authority of the country where the oldest EEC *branch of a non-EEC bank is* established would carry the burden of supervising that bank's operations in the entire Community, though the individual branches would operate under authorisations obtained from national authorities of the country where they are established. This is one of the examples how bureaucratic *tidiness can be counter-productive.*

The sheer complexity and number of provisions proposed in Brussels would under any circumstances go against the grain as far as British bankers are concerned. The intensity of the distaste with which these are received is, however, due to the feeling that these proposals are but a symptom of a fundamental change. British bankers' opposition ranges from diplomatic "beneficial changes in the range of activities and in institutional structures should not be held back by a straight-jacket of over-nice regulations"—Sir Archibald Forbes, chairman of Midland Bank—to blunt: "The supremacy of London as an international banking centre is founded on a freedom from vexatious legislation. . . . It would be a tragedy if this position were radically altered simply to satisfy bureaucratic tidiness"—Lord O'Brien.

Vent for this British opposition was also given in Brussels earlier this year by British Bankers' Association president, Mr. Eric Faulkner. Referring *to the draft of the July directive,* he said "it attempts to go too far, too quickly and above all in too detailed a manner."

However, more powerful forces than the supernational civil servants of Brusssels craving for bureaucratic tidiness seems to be at work. Banking patterns cannot remain un-*changed while the pattern of* industry is rapidly changing. To succeed or at least to survive, medium to small-scale industry now requires not only capital but also technological aid and co-ordination on the macro-economic level. There are basically three ways of achieving it: by government control, by cartels and concentrations or by bankers' intervention in the management of industry.

German model

The European Communities are adverse to *dirigism* and proclaim an active anti-trust policy; the banks appear therefore to be the chosen instrument of economic planning and co-ordination. This is the German model of economic control and the presence of banks' representatives on the supervisory Boards of companies whom they finance is but part of it.

This model, giving banks a far greater power than they have as mere money-lenders in Britain, brings to life balancing forces—hence the call for workers' participation in management. And it makes it unavoidable for any government worthy of the name to take a much more active interest in banking and to exercise a much more closer supervision *over it, both in public interest* and in the interest of individual investors and depositors.

The possibility of acquiring merchant banks, opened to clearing banks in 1971, is just one of the signs that the universal bank is arriving in Britain. On the other side of the fence, merchant bankers are fast adjusting to the continental image of a *banque d'affaires.* The assertion, still heard occasionally, that merchant banking is what it is because merchant bankers are a special *type of people sounds more* hollow everytime it is uttered. Merchant banking is becoming an "industry" as other types of banking have done earlier.

Accepting that British bank-*ing is undergoing a structural* change which will bring in its wake changes in rules and supervision, a strong case can be made for harmonising rules within EEC. The clearing banks have recently strengthened their relationships with their Continental correspondents and merchant banks are increasingly active on the Continent.

As in other areas of "harmonisation" the question is therefore not "whether" but "how." The EEC Treaty does not require unification of laws but only "approximation" and, as in the fields of company law and insurance, it would be unrealistic to believe that this can be achieved by a political decision adopting proposals drafted when the Common Market consisted only of the Six. The political decision is necessary but to make a system of banking rules work it has to be designed for the entire Community.

U.K. BANKING XII

Intensive development on the international front

By C. GORDON TETHER

"In view of the ongoing global capital shortage and the growing need for specialised knowledge," said American banking giant Mr. David Rockefeller a short time back, "I expect to see many more bilateral and multilateral ventures as an integral part of the world-wide banking environment in the years ahead."

In doing so, he was providing another manifestation of the spirit of "Go! Go! Go!" that has transformed the world banking scene out of all recognition during the past few years—creating in the process many new problems. Problems, indeed, of such a worrying kind that many bankers are beginning to wonder whether the most urgent need now isn't for a period of consolidation rather than a continuance of the feverish drive to conquer new peaks.

At the moment the picture is very much one of intensive—in fact, phenomenal—development on the international front in the case of almost all sections of the British banking industry. Assisted and encouraged by the tremendous upsurge in the world money supply that the enormous U.S. deficit and the burgeoning Euro-currency markets have joined forces to bring about, home-based banking houses have increased their foreign deposits by £13,000m. or about 50 per cent. during the past year alone. And there has been a correspondingly dramatic rise in overseas lending, much of it concerned with exploiting the demand for investment funds in such comparatively "new" markets as those provided by the less-developed countries.

At the same time, the process of building on this impresssive growth and laying the foundations for new moves to turn to fullest account both the luxuriant world financial environment and the growing demand from the business world for more and more sophisticated international facilities has been pressed rapidly forward. It was recently estimated that 70 per cent. of the world's top banks now have interests in the consortium type of banking link-up that made its first appearance on the scene as recently as the late 1960s.

British activity

British banking houses have been well to the fore in this connection. Many of them have also been active, assisted by changes in Bank of England attitudes to certain forms of rationalisation, in reshaping their relationships with associates at home and abroad to reinforce their international fire-power. The recent decision of the Midland Bank to acquire total ownership of the world-famous internationally-oriented merchant banking house of Samuel Montagu is a case in point.

It has not all been plain sailing. Barclays Bank's plan greatly to extend its involvement in the American banking field has run into a head-on collision with the New York banking control body. But, in broad terms, it has been very much a success story of the most exciting kind. Unfortunately, it is always possible to have too much of a good thing. And there are a number of reasons for thinking that the British banks may be running into this change where the intensive development of their overseas activities is concerned.

To begin with, it is obvious that the speed and nature of the recent evolution of the Euro-currency market traffic does carry an increasing danger of a major breakdown that could have serious repercussions for all those participating in it. It is now estimated to be handling total business of the staggering order of $200,000m. plus—double the figure for only two years or so ago. And there is no doubt that under pressure of competition, lenders are becoming more and more caught up in business outside the well-tried fields they have tended to restrict themselves to in the past.

Seeing that the sums involved are so vast that it is questionable whether central banks would be able to take suitable containing action should serious trouble arise, there is clearly a great deal to be said for proceeding much more cautiously on this front from now on especially as—and this is a point that the Bank of England heavily under-scored earlier this year—there has already been a notable deterioration, in the case of London banking houses, in the "maturities" relationship between foreign borrowing and lending.

It is, of course, customary to point out that, right from its early days, doom-watchers were predicting serious trouble for the Euro-currency market and that, in the event, this has never materialised. But it has to be recognised that the situation has changed in such fundamental fashion during the past few years that the situation is basically much more vulnerable than it has ever been hitherto.

For one thing the recent upsurge in business having been so breath-taking it is more likely to provoke serious cases of indigestion. For another, while the fact that banks in different countries are more closely connected than in the past is in the ordinary way a source of strength, it could be a source of weakness if a major breakdown occurred in any part of the system.

What also has to be borne in mind is that as there is a much greater awareness in the financial world of the "trouble capability" of the Euro-currency markets, any sign of serious trouble could trigger off a potentially highly embarrassing chain reaction.

Britain's involvement in the EEC provides another important reason why the London banks would do well to think in terms of becoming somewhat less advancement-minded in the immediate future. The Community is already more than a little concerned about the implications for its financial future of having a country so deeply involved in international banking business in its midst.

Sober attitude

Another important reason why a sobering-up in the attitude of London banks to international advancement would be appropriate is to be found in the contribution this could make to beating off the sizeable threat to their world-wide role posed by Britain's entry into the EEC. Other Common Market countries are obviously not at all sure that the U.K.'s deep involvement in banking outside Europe won't materially complicate the Community's external payments life, especially if there is to be any serious attempt to implement economic and monetary union. There is also a certain amount of concern about the implications for competition of the growth of banking cartels embracing top banks in Britain and the Continent.

Such worries are obviously going to play a significant—if not a decisive—part in determining how far the other EEC members are prepared to go to indulge in the projected new Common Market banking legislation with London's wish to be a pre-eminent banking centre for the rest of the world as well as for Europe itself. The less that is done to exacerbate them in the period immediately ahead, therefore, the better placed British negotiators will be to reach an understanding that will cater adequately for London's special position.

The most impressive reason of all, perhaps, why U.K. banks would now be well-advised to think in terms of a period of consolidation in their international affairs lies not abroad but at home. Commenting in a recent article in the Financial Times on a clearing bank chief's remark that he had no interest in industry, Hamish McRae wrote: "Such disdain, and even contempt, for British industry is not uncommon and it contrasts oddly with the City's enthusiasm for new ventures abroad."

He went on to cite passages in the report of the Inter-Bank Research Organisation on the future of London as an international financial centre which indicate that this behaviour has produced very much the wrong kind of image for City financial institutions in the country at large.

This is not, of course, a new criticism of our banking houses. Indeed, it has been going the rounds more or less continuously since the end of World War II. And it can be argued—indeed, I have often heard it argued by top bank men talking about the City's role—that refusing to take it too seriously has not done the banks any harm, seeing that the emphasis they have placed on developing their international functions has brought them great prosperity while giving a powerful boost to the country's invisible earnings. The point is, however, that they can no longer count on disregarding such complaints about their way of life with the comparative impunity they have in the past.

The difficulties the G[...] ment has experienced in [...] industrial capacity expan[...] the pace needed to sup[...] ambitious growth poli[...] focused attention on the [...] tion of the adequacy [...] flow of investment into dome[...] capital outlays.

So has the mounting e[...] that Britain's involvement [...] Common Market has g[...] much bigger boost to [...] investment on the Co[...] than to British investm[...] home. And at the cent[...] the resulting controver[...] evitably, are the bankin[...] tutions that play su[...] important part in strikin[...] balance in the alloca[...] available resources betw[...] investment opportunitie[...] able at home and abroad.

State interventi[...]

It is not going too fa[...] that how they respond [...] greatly intensified versi[...] long-standing charge w[...] the greatest significan[...] their future. Certain[...] banks' best hope of s[...] guns of those who are [...] ing much greater Sta[...] vention in the bank[...] short of nationalis[...] even including it [...] demonstrating that in [...] the home side can coun[...] getting the best of both [...] —a banking industry [...] doing all it reasonably [...] promote the invisible e[...] that are such a help in [...] the balance of payment[...] shape while ensuring th[...] industry is being ca[...] just as adequately as [...] counterparts.

It is hard to see h[...] re-orientation is to be [...] unless the banks start [...] the temptation they are [...] under to go on exploi[...] the full the opportuniti[...] building up business [...] presenting themselves [...] sides—and do so long e[...] to provide the time, the en[...] and, above all, the new thi[...] that this crucial re-model will call for.

Overseas banks are riding high

By C. GORDON TETHER

"Barclays International has continued," said Sir John Thomson, retiring chairman of Barclays Group at the annual meeting earlier this year, "to implement its policy of providing a truly international banking service and, to this end, has considerably broadened its appeal." At about the same time, Lord Aldington, head of National and Grindlays, one of the other prominent members of Britain's family of overseas banks, was informing his stockholders that "we are better placed now than ever before to take the opportunities that the developed and the developing world present to international banks."

The overseas banks, in short, are riding high. Which is what they have consistently been doing ever since they discovered in the first decade or two after World War II that there was an answer to the threat to their existence posed by the growth of nationalism in the less-developed countries which had been their traditional stamping ground — that, by amalgamating with similarly afflicted banks and diversifying their activities, they could develop sufficient strength to take in their stride the expropriation of branches and similar enfeeblement in their old haunts.

The fact that they give all the appearance of still being on the crest of the wave a decade or two later might seem to be almost too good to be true. And as it happens, it is not necessary to look with an excessively jaundiced eye on those aspects of the world financial outlook that are of special concern to these institutions to start asking whether it is. For storm clouds materially bigger than a man's hand have begun to appear on their horizon — as on those of many other types of banking houses. And no one can be quite certain that they are not the precursors of a deluge that could have a most sobering effect on the present exuberance of the international banking community.

The pace at which the overseas banks have continued to move forward, thanks in part to the new-style policies referred to by Sir John Thomson and Lord Aldington, is fully illustrated by Bank of England statistics. Thus, they show that in the spring of this year British overseas and Commonwealth banks could point to a deposits total of £10,100m. This represented a jump of £3,000m., or over 40 per cent., when compared with a year before—the great bulk of which was accounted for, moreover, by the growth of business expressed in currencies other than sterling.

Less than five years ago, the deposits of these banks were barely a quarter of what they are now. And making due allowance for the distortions caused by the fall in the value of currencies in general and the pound sterling in particular, this still represents a phenomenal rate of advance judged by any criterion.

Little wonder that such disruptions of their traditional activities as those that have arisen during the past year or so from the revolution in Bangladesh and the nationalistic rampages of President Amin in Uganda produce no more than a few ripples on their pond instead of the sizeable waves they would have done in the past.

Moreover, it is true to say that, working in conjunction with other developments, the massive restructuring that has taken place during the past ten years is tending to reduce still further the overseas banks vulnerability to troubles of this order on the perimeters of their new-style empires.

Obvious links

For one thing, because their overseas branches are nowadays answerable to international companies that have no obvious link with their imperialist forebears, they are much less inclined to attract hostility even in the most nationalistically sensitive of countries. For another, most of the less-developed countries have now managed to get the role of foreign banks into correct perspective. They have come to recognise, to put it in another way, that their services can often be enlisted to promote economic partnerships between the "haves" and the "have-nots" of the most acceptable and rewarding kind.

So, if the overseas banks could count upon the favourable factors that have made it possible for their new styles of behaviour to reap such a rich harvest in other senses, they should be assured of doing even better in the years immediately ahead than they are already.

If it has to be asked whether there is as much justification for such an optimistic assessment as there may appear to be at first sight, it is primarily for one reason. It lies in the impressive indications that the growth in world financial traffic they have exploited with such signal success is joining forces with other factors to generate new problems of a potentially highly debilitating kind—so debilitating that all banking concerns heavily involved in this traffic are liable to feel the draught.

It is not only that international financial activity has been growing at such a pace that the system has almost certainly become over-extended and, therefore, apt to experience

Continued on next Page

Share prices fail to reflect profitability

By BARRY RILEY

Once upon a time the stock market used to be impressed by a strong profits performance, but it almost appears that rational analysis has departed from the scene these days, at least as far as the financial sector is concerned.

The Big Four clearing banks' profits have continued—indeed have accelerated—their giddy climb, rising on average by 15 per cent. at the pre-tax level in 1971, by 36 per cent. in 1972 and by a massive 80 per cent. in the first half of the current year.

But share prices peaked more than a year ago, and recently they have been trading at little higher than late 1971 levels. This year the stock market has actually been kinder to merchant bank shares—despite a patchy profits outlook—and to hire purchase finance houses—which in some cases are being hard hit by the cost of money.

So divorced from the profits trend have the clearers' share prices become that the usual response to a rise in bank base rates is a price setback. This is in spite of the well known "endowment" effect of high interest rates which push up clearing bank profits because the banks hold large sums deposited in interest-free current accounts.

Political sector

The simple explanation is that the stock market has labelled banking as a political sector. In the background, of course, is the Labour Party's threat to nationalise the lot when it returns to power. More immediately, the banks' profits are to be kept within Phase Two guidelines, which introduces uncertainties even though the restrictions hardly appear to be onerous.

And looking a little further ahead, some Throgmorton Street pessimists may feel that current clearing bank earnings will prove wholly exceptional once a semblance of monetary normality replaces the present strange combination of ultra-high interest rates and a soaring money supply.

There are other market factors working against the clearers' shares. Earnings may be high, but dividend yields are low—only about three-quarters of the average for industrial shares—and that is a serious deterrent for fund managers at a time when dividends are officially restricted and likely to stay that way.

Secondly, a great deal of clearing bank equity is already in the hands of the institutions and they have little appetite for more. Talk of rights issues has not helped here, although in fact only Bank of Scotland has actually raised new money (£20m. last January) and none of the others are likely to now.

Broader spread

Nevertheless, they have shown themselves willing to dilute their equity in the search for a broader spread across the banking spectrum; Lloyds rather expensively bought out the minority in Lloyds and Bolsa International this summer, and Midland's purchase of merchant bankers Montagu, Trust could cut its earnings per share by 6 per cent. on a fully diluted basis.

As far as Phase Two is concerned, the snag for the stock market may be that the rules have been cast almost too favourably for the clearing banks, which leaves investors fearing that new measures will be applied—either under Phase Three, or elsewhere.

Like other major concerns, the large banks have had to send to the Price Commission (by the middle of last month) profit returns relating to May and June. From now on quarterly statements are required. Such returns must show separately the profits on interest-bearing and non-interest-bearing business.

Each category has to fit in with the usual reference level considerations, whereby margins must not be higher than they were in the best two out of the last five years.

The allocation of costs and profits between the two categories is necessarily arbitrary, but the British Bankers' Association has apparently worked out a formula to ensure that results presented to the Commission are consistent. And until quite recently the banks were confident that they have been operating within their Phase Two limits.

Reference margin

This is largely because the interest-bearing reference margin is calculated as a percentage of resources—mainly deposits—and those resources have been soaring since the new era of Competition and Credit Control was ushered in almost two years ago. Over this period clearing bank deposits have jumped more than 60 per cent.

Previously the clearers were basically high-margin "retail" banks, but they have expanded significantly into low-margin "wholesale" business through the City of London. They are now in a position to apply the relatively high retail-type margins of the late 1960s to resources swollen by their operations in the money markets.

Even on this basis, however, the holding of margins within the Phase Two reference limits depends on interest rates not rising too far. In the first half of this year the peak period for base rates came in March, ahead of Phase Two, whereas May and June base rates (and advances ratios) were lower.

But since late July the jump in base rates and bank lending will have changed the picture, and the Treasury may be called upon to use its powers to claw back the excess earnings—the method suggested is by reducing the interest (at Treasury Bill rate) paid on the clearing banks' £700m.-plus special deposits.

Profits would only, of course, be "reduced" to a very high level, and such action would have little impact on current share prices. The banks have already tried to pre-empt some of the criticism of high profits by reducing certain charges — notably on current accounts — but any really effective attack on the problem of endowment profits will have to come through changes in the rate structure.

This will not be easy, as there will be repercussions throughout the financial system. The clearers recently tried to pay back some of the endowment element by reducing the gap between base rate and deposit rate, but this produced squeals of protest from the building societies who were put under even more competitive pressure.

In any case, some bankers insist that in current conditions of rapid inflation and expansion of the banking system they need high levels of earnings to provide the capital backing for growth. In its present state of ill-health the capital market is not capable of providing the potentially massive sums needed to increase significantly the equity (and subordinated loan) base on which banks build their deposit pyramid.

Partly thanks to timely revaluations of property the clearers have not yet found capital resources a limitation. But some feel that the Bank of England may be hatching plans to impose specific ratio restrictions on the banking system related to capital and reserves. From last July something of the kind has been imposed on the money market's discount houses.

More suspicious

This possibility gives bankers an incentive to increase retentions; it could also make the stock market still more suspicious, for it gives another reason to expect dividends to remain modest.

Elsewhere in the financial sector most of the attention has been captured by merchant banks, which have been the centre of much takeover activity. Apart from Montagu, the past year has seen the acquisition of Guinness Mahon by Lewis and Peat, and the abortive merger plans between Hill Samuel and Slater Walker. More speculation is likely in this sector, particularly as there are increasing signs that the accepting houses will decide to disclose their true profits next year.

Meantime, the consumer credit specialists are out of favour. High interest rates always put pressure on their margins, and although the recent results from United Dominions Trust showed useful growth, the same may not apply to other leaders like Mercantile Credit and Lloyds and Scottish. From now on volume growth may well slow down, in line with the apparent trend of consumer spending.

Old and new—Interior of a Barclays Bank in Cambridge about 1950 (left) contrasts with the new Lichfield branch in Birmingham (right).

CONTINUED FROM PREVIOUS PAGE

Overseas banks

turbulence of a potentially highly embarrassing kind for all banking institutions that have a substantial stake in Euro-currency and similar traffic.

There is also a mounting danger that the onset of a more or less acute form of global inflation—and almost everywhere the rise in prices is now proceeding at a rate close to 10 per cent. per annum, if not beyond it—will combine with the excessive growth in the international money supply and the almost total breakdown of law and order in the currency markets to cause serious disruption of the world's economic life. Which could lead on, as countries struggled to take the measures they considered necessary to extricate themselves from the morass, to a global slump.

Since it is an ill-wind that blows nobody any good, banks engaged in international financial traffic have derived important benefits from both the world-wide rise in interest rates and the disorderliness of the currency markets. For the first of these developments has greatly increased the return on their lendings without any action on their part. And the second has both strengthened the yield from their foreign exchange services and served as a powerful boost to the demand for them, traders have inevitably had to rely more and more on specialist advice and assistance to cope with the immense exchange problems that import and export traffic is inevitably throwing up, with even the topmost currencies fluctuating violently in relation to one another from month to month.

But the picture could change very rapidly if the discouraging effect these new uncertainties are inevitably going to have on the growth of world trade and financial traffic were to become marked.

New thinking

The British overseas banks are, happily, probably as well equipped as any to deal with the backwash of such a change in the environment. But the possibility that it is in the offing could, with advantage, prod them into engaging in some new thinking about their basic policies that might soon have become desirable in any case.

The point is that there is more than a suggestion in the tendency for the affluent world to become "over-banked" as a result of the glut of money seeking relatively safe employment that the time has come for a change in emphasis—a change that would result in greater attention being paid to the areas that are almost certainly going to provide the greatest opportunities for banking development between now and the end of the century.

Since the overseas banks are already well-established in this field—the less-developed world—they are best placed to pioneer the necessary re-orientation.

U.K. BANKING XIV

Anxiety in Euromarkets

By MARY CAMPBELL

Seldom has any year in the history of finance recorded such great changes as have happened in the last twelve months on the international markets. The facts and figures alone are impressive enough. Where Eurodollar interest rates on August 31 last ranged between 10¾ and 11⅞ on seven-day to one-year money, a year previously they had been between 4¾ and 6⅟₁₆. In September 1972, the dollar, if not precisely sparkling, still retained credibility; during this year it has plunged down what at times appeared to be a bottomless pit. Generalised floating, which a year ago was still viewed in some quarters as a viable solution for the problems of the international monetary system, has now, after six months' experience, shown in practice it too has awkward strings attached (if not those which sceptics had widely predicted). In the autumn of 1972 the Euromarket banks, awash with excess liquidity, faced a period of lengthening terms for loans, a new range of as yet untested range of borrowers, and pressure on profit margins on lending business. Now even the liquidity of the market shows signs—at least—of drying up.

Cyclical upswing

These bald facts if anything understate the changed conditions on the international capital markets. A year ago international bankers certainly expected a cyclical upswing in interest rates—what was not widely expected was a permanent upward shift in the interest rate average over the full cycle, such as appears to be in progress now. The shrewder of international bankers also expected pressure on the dollar to mount again—but even these did not expect the kinds of falls that have been seen this year, while the amount of international savings which could be mobilised into long term dollar denominated securities continued to increase until last February.

All these changes were reflected in Euromarket activity during 1972-73. On the dollar sector of the Eurobond market, new issue activity continued apace, with January producing a record volume of new issues. However, the devaluation of the dollar in February followed as it was by continued pressure and the generalised floating in March, shattered investor confidence in dollar denominated securities. Since the beginning of April, apart from British local authority note issues, there have been only three public dollar denominated issues on this market.

Bond slump

On the secondary market, prices of outstanding dollar denominated bonds slumped heavily, with the Bondtrade indices reaching low points in early August of 95.21 for medium-term bonds — a fall of over 6 per cent. since the beginning of the year—and 88.72 for long-term bonds—a fall of well over 10 per cent. Turnover also declined to roughly half of January's levels at some points.

New issue activity on the non-dollar sectors of the market—particularly on the D-mark and Swiss franc international bond markets—continued at a high level for some months. However, since the revaluation of the D-mark at the end of June, the D-mark market has been under pressure. More important, new issue activity in all currencies has become increasingly difficult because of the very rapid increases in interest rates.

The medium term lending market, where loans incorporate a floating rate mechanism and much less affected by the cur- multi-currency options, has been rency and interest rate traumas. Here the problems have been different. Towards the end of last year, it was evident that the maturity on loans was likely to hit the 15-year mark. This duly happened in a loan for Brazil at the turn of the year. Since then, ten-year loans have become common and anything up to fifteen years not unusual. There was also no sign of any let-up either in demand for loans from developing countries or in banks' willingness to supply them with funds. Indeed, the market continued so liquid that even the demand from other borrowers which has materialised this year does not seem to have diminished banks' capacity. Meanwhile competition for business forced the spreads over the interbank rate charged by banks to be continuously reduced.

Lower returns

On the medium term market then, the liquidity situation caused banks to take on higher risk lending—both in terms of the quality of borrowers (political risk in lending to developing countries is extremely hard to assess) and in the period for which they were committing their money. Meanwhile, the returns they could earn from such lending were becoming ever lower.

From the spring of this year onwards, there were two new factors on the market which tended to dry up liquidity. The first was the substantial borrowing by Italy and Britain related to these countries' needs to build up foreign exchange reserves. In Britain, foreign exchange cover for Eurodollar borrowing by local authorities and nationalised institutions was reintroduced in the Budget in March. Following this move a number of local authorities borrowed on the market while the British Electricity Council, under government guarantee, borrowed $1,000m. in one loan. Italian state institutions also came to the market for large sums—the most spectacular loan being $1,000m. for ENEL.

The second new factor arose from the monetary squeeze in the U.S. which forced interest rates there above ruling Eurodollar rates. This led to the borrowing by U.S. banks' head offices from their overseas branches and, to some extent, to U.S. companies, particularly real estate investment trusts, borrowing on the Eurodollar market.

As yet there is no sign that these developments have led to any shortening of the maturities of lending or to a decline in lending to developing countries. The only effect which can be discerned as yet is some of reluctance by the banks to continue lending at the very low spreads that had become common.

Hanging over the market is the possibility that the central banks might try to impose controls on the market, which is felt, at the least, to have acted as a channel for the large scale foreign exchange speculation/hedging which has been seen in recent years. In February, the world's leading countries officially went on record for the first time as intending—if only ultimately—to impose reserve requirements on the Euromarkets similar to those which exist in domestic banking systems.

There is no doubt that anxiety about the growth of the market is widespread. Net of interbank transactions within Europe, the international monetary pool in Europe alone had reached $91,000m. by the end of last year; the previous year's figure was $71,000m. volume of international which can be mobilised is much larger than this.

The problem about ling this market it not but the way. Co banks seem pretty conf they could avoid the any system of, say, requirements which practicalities allow. requirements were im banks' Eurodollar oper London, for example would simply move deposits elsewhere. not believe that the banks will ever be able a system which covers the world.

Commercial banks however, have less against any moves to liquidity using the mechanism of the mar Treasury Secretary Sh one, has ideas on this article in this survey).

Credit cards expansion

By JAY PALMER

It was, confessed one letter writer at the time, almost as if the ugly old witch had been suddenly transformed into a dazzling fairy godmother overnight. The descriptions are perhaps a bit extreme but certainly the introduction of credit cards by, first, Barclays Bank and, later, the other clearing banks, reflected quite a change in style. Prior to the new cards one could have been excused the feeling of having to approach the banks on bended knees for funds. Suddenly, one almost had them begging you to take up the available credit facilities—the catch lay, of course, in the 1½ per cent. monthly interest charge, and at that rate who could blame them for trying?

As far as credit cards in Britain are concerned, it was Barclaycard who paved the way in the mid-1960s. Since then Access has been introduced jointly by a whole host of other clearing banks and there has been a determined down-market push by American Express and Diners Club. In addition quite a few other plastic "credit" cards have come (and gone) offering advantages of shopping discounts, better and quicker service, convenience and, just occasionally, credit.

Talking in terms of credit, basically Barclaycard and Access are the only two cards available in the U.K. that offer this advantage. Both work in the same way of giving the account holder a certain credit limit (which is originally determined by his bank manager but which can be reviewed later on request). As long as the total account stays below this limit no-one worries; the card holder has the option of paying off the total bill pre-interest levies every month or paying off a certain set percentage and having interest on the remainder carried forward.

If Barclaycard and Access are ultimately in business to lend money (their profits come from the card user's interest charges and the retailer's initial fixed charge and transaction levy), this is not the case of the other cards which basically fall into four categories.

First, there are the clearing banks' (with the exception of Barclays) cheque cards and cash cards. Both are issued by the individual bank chain for the exclusive use of its account holders and fall into the category of convenience cards. The cheque card merely guarantees that, if certain minor precautions are taken, the cheque will be honoured for any amount up to £30.

The cash card is a more recent inovation by the clearers to help decrease the long queues at bank counters and help account holders beat cash shortages that occur overnight or during the weekends. The card holder uses his card and his secret number to draw cash from a computer controlled terminal located on the outside wall of a selected branch. In time it is hoped that outlets will be located in station terminals and places other than only bank walls.

But neither the cheque card nor cash card gives credit. Secondly, there are the discount cards which offer the user—

Continued on next page

U.K. BANKING XV

Money market mends after July 19 shock

By DONALD MACLEAN

On July 18, the London discount market was pursuing a recovery course, after its relatively poor trading experience in 1972. On July 19, it was facing one of the worst declines in the value of its investments in its history, as a result of the official decision to raise interest rates in defence of the pound.

The Bank of England's Minimum Lending Rate (the new-style Bank Rate) rose from 7½ to 9 per cent. on July 20, and a week later—with sterling having fallen appreciably further—increased to a record 11½ per cent. The Discount market was caught between rising borrowing costs on the one hand, and falling capital values of its fixed interest investments on the other.

It is likely that the experiences of individual Discount houses varied widely, but the market as a whole must have made heavy calls on its hidden reserves to meet this situation.

Paper losses

To some extent, the capital losses exist only on paper, but increased collateral requirements even in these cases will have had the effect of tying up the market's basic capital, thus restricting the scale of the market's operations in the new situation, while the running profit margin on the investments will have been reduced, eliminated or turned into a running loss by the rise in borrowing costs.

Given that the Discount market had ahead of July 19 a total investment book of about £2,500m., the possibility of losses running into tens of millions against the background of a 4 per cent. per annum rise in short-term interest rates is clear.

Now, amounts running to tens of millions represent a substantial part of the Discount market's capital base, some official idea of which has just become available.

July 19, it should be said, did not bring unalloyed gloom to the Discount market. The move that day to raise interest rates was accompanied by something the Discount market had long sought—relief from the rule operated under the 1971 Competition and Credit Control arrangements that Discount houses should keep at least 50 per cent. of their borrowed funds in public sector investments.

The market's recovery drive had been hampered by this rule—which restricted its ability to tailor its investments in line with its view of investments prospects.

The 50 per cent. rule has, however, been replaced by regulation of certain "non-defined" assets, corresponding broadly, but not exactly, with the assets which would previously have fallen under the heading "non-public" debt. The new regulation is that Discount houses must not hold more than 20 times their capital base in non-defined assets. The capital base for this purpose is defined as the average of the preceding three end-December totals of published and hidden capital.

As the Bank of England is under the new system publishing monthly figures of the market's total holding of non-defined assets, and indicating the multiple which this constitutes of the capital base, it is possible to calculate that over the past three end-Decembers the market had an average capital base of about £99m.

Early in the new year, as a result, it will be possible to calculate the change in the real capital of the market between end-1970 and end-1973.

Meanwhile, however, the market faces a problem of recovery from a reduced capital base, and it is important in this context to recognise that some houses' reserves must have been substantially worse hit than others.

The Discount market, however is not to be looked at simply as a commercial organisation. Under the current market structure it is a major link between the Bank of England and the money market as a whole.

In the ordinary course of smoothing out imbalances in the day-to-day credit position of the money market, the Bank of England may work through banks, but it also works extensively through the Discount houses, and under the Competition and Credit Control arrangements the Discount market retained its position as the only body with lender of last resort facilities at the Bank's discount office.

One day, this situation may change, but for the moment the Bank appears to favour maintaining the Discount market's peculiar position in the money market structure.

Any move to alter the role of the Discount market in the City, in fact, seems more likely to come from within the market than from the Bank of England. Certainly, the freedom of gilt-edged prices to fluctuate which arrived with the Competition and Credit Control arrangements, which swung emphasis in monetary policy towards closer regulation of the money supply and away from control of interest rates has been a nerve-testing experience for the market.

It is one of the problems of the Discount market that it cannot tell from one generation of its executives to another where its main field of activity will lie.

Domestic bills

Once there were domestic bills of exchange (helping to finance the industrial revolution), then there were the international bill on London of gold standard days, then the Treasury bill, then the gilt-edged stock, now perhaps the sterling certificate of deposit.

It is worth noting that most of the market's fields of investment are not peculiar to the Discount houses. These fields are not always rewarding and they are sometimes bad things to be locked onto.

If this were all, the market might well be closer to taking its £99m. (or something less) and the financial skill of its executives off to new fields.

But under the Competition and Credit Control arrangements the Discount houses achieved a status which must substantially colour any re-appraisal they make of their business. This is that call loans to the Discount market (and to a few other money market houses) count at reserve assets in the hands of the banks. Because other forms of reserve asset tend to be restricted, loans to Discount houses by the banks are made relatively cheaply.

Out of the banks' overall reserve assets of about £3,600m., about two-thirds is in call loans, most of it to the Discount market.

As a result, while overnight inter-bank loans have sometimes been in the 10 per cent. to 15 per cent. range lately, call loans to Discount houses have been in the 9 per cent. to 11 per cent. range.

The fact that gilts with more than a year to run are not reserve assets in the hands of the banks, but may provide the base investment by which a reserve asset is created for a bank (through its lending to a Discount house which invests in the gilt) gives flexibility to the supply of reserve assets. It may be supposed, therefore that the commercial banks, as well as the Bank of England, have an interest in the maintenance of the Discount market's operations.

The possibility arises that the Discount houses will be assisted to overcome their present difficulties by an alliance of the Bank of England and the commercial banks—as they were helped over their difficulties (associated with low interest rates) in the 1930s.

Just how assistance of this kind, if given, is given, is not likely to be made public. But ways in which the Bank of England might conceivably help include lending to the Discount houses, to build up their capital bases, and widening the range of securities it is prepared to buy from the houses. The clearing banks might help, for instance, by relaxing collateral requirements and making loans available to the houses at relatively cheap rates.

Any help given in these ways, or in some other way, will be reinforced by the fact that the basic structure of the market has been strengthened substantially since July 19 by the removal of the 50 per cent. rule.

But this does not mean that the market should not be re-considering its future—if only because the peculiar status maintained or freshly set up for it under Competition and Credit Control appears a matter of subjective rather than objective decision, and will not necessarily last for ever.

Considerations that should be taken into account may be summarised as follows:

1 — The market's ultimate resources are a certain volume of money (under £100m. it seems), and the experience and skill of its executives.

2 — The market's broad economic function is in the distribution of money to those areas where it is best employed.

3 — The market's essential problem is whether to place less emphasis that it has on dealings with other money market operators, and more on dealing with end-users in broader fields of industry and commerce, say through commercial bill business.

If it should build up its commercial bill business to a dominating position, the wheel will have gone full circle.

CONTINUED FROM PREVIOUS PAGE

Credit cards expansion

usually in return for an annual fixed rental—a varying discount at certain shops. In the sense that shoppers already seem to be becoming a good deal aware of the possibilities of obtaining discounts by shopping around, it would seem that, at the very least, such cards are going to come in for a good deal more competition.

Thirdly, there are those cards which all of us accept as credit cards and credit card pioneers at that. These include American Express and Diners Club, but nevertheless, in comparison to Barclaycard and Access, they do not really offer credit. For although the card holder can use his card as often as he wants and, theoretically at least, run it up as far as he wants (for practical purposes there is a relatively high limit at which the company will give you a polite ring and ask what on earth is going on), the total amount must be repaid on receiving the monthly statement. The company makes its profit on the annual charge and the retailer's fixed levy and does not aim to lend long-term funds.

Finally, there are the retailers cards which have, in recent years, become a great deal more common as more and more companies switch to them in preference to the normal accounting credit. These are issued by, among others, Avis, Hertz and Godfrey Davis in the car hire field; Hilton and Trust Houses in hotels; Austin Reed and Hepworths in menswear and a whole number of companies running department stores. They differ considerably in operation — some aiming at immediate monthly clearance of accounts and others at a rolling regular credit system—but all exist primarily as sales aids. The idea is that if you are holding a card you are much more likely to first, keep going back to that particular chain, and secondly, to give in to impulse purchasing.

But as far as real credit from plastic cards is concerned, everything comes back to Barclaycard and Access. The arrival of Access on the scene so dominated by the established Barclaycard resulted in two important developments. First, not surprisingly, a marketing war with both companies pushing hard for new outlets and new holders and secondly, fears of Government control.

In terms of numbers of users, Barclaycard's four year lead is still telling. But if the company's blurb is to be believed, Access is fast catching up (and so it should with far many more bank account holders open to marketing drives) with a weekly addition of 15,000 to Barclays's 10,000. In terms of available outlets, Barclaycard services are now available in about 1.3m. establishments in some 50 countries. Access, by comparison, offers 145,000 outlets at home and abroad.

New outlets

Both companies are pushing hard into Europe in attempts to open up new outlets, but for all the contest, it is basically a friendly battle. For neither can really lose—any expansion in opening up new territory or gaining new converts to the credit card philosophies must work to more publicity and eventually a greater accept ability of cards generally.

In fact, this drive for outlets and holders is largely responsible for the fears of Government action. The point was that when Access (and for that matter earlier Barclaycard) was launched, it faced a tricky problem. For the whole success of the launching exercise depends on a large number of card users being rapidly built up and it is only on this assumption that the wide range outlets necessary to attracting card holders can be persuaded to sign on. It really is a vicious circle: without outlets, the membership falters and without members the outlets balk.

Access had little choice, but nevertheless its launching techniques aroused a wave of antagonism. For although Lloyds did write to account holders to ask if they did not want a card, the other banks in the scheme sent them uninvited.

U.K. BANKING XVI

Merchant banks adapt to new conditions

By KENNETH GOODING

The U.K. merchant banking community has certainly responded to the change in the Bank of England rules at the end of last year which, in the words of one banker, "removed some of the protective wraps from the select members of the Accepting Houses Committee leaving them free if they wished to seek outside partners."

Naturally enough the abortive attempt Hill Samuel and Slater Walker made towards a merger tended to overshadow some of the other happenings which were as important in their own ways, like the arrangements S. G. Warburg made to co-operate with one of the leading French banking groups, Banque de Paris et des Pay Bas. A share exchange deal formalised a long-standing relationship between the two and gave "their co-operation a new dimension and a structure reflecting a wide community of interest between them, particularly in the field of international merchant banking," according to the joint statement made at the time the arrangement was announced.

Then there was the decision by Midland Bank to bid for the part of Montagu Trust (which takes in the Samuel Montagu merchant banking concern) it did not already own. Midland had 36 per cent. of Montagu and issued shares worth £83m. for the rest and so set the City speculating about which clearing bank would be the next to bid for a merchant bank and thus obscure the demarcation lines between the various financial institutions even more.

Blurring process

One of the smaller Accepting Houses, Guinness Mahon, was involved in an arrangement which emphasised this blurring process. It merged with merchants and commodity brokers Lewis and Peat, explaining in the process that the two were complementary types of business—merchanting coupled with the broking of commodities on a world scale and international merchant banking.

But it was the Hill Samuel-Slater Walker deal which captured the headlines and the imagination. The proposed merger put the spotlight once again on the question of just how important sheer size is in U.K. merchant banking to-day. When the euphoria of a newly-announced engagement was still upon them, the two banks declared their merger would "create an international financial group with considerable strength and potential in all areas of commercial and investment banking and in a wide range of insurance, shipping and property activities."

Hill Samuel had long been an advocate of the financial supermarket idea (where the bank offers a wide range of financial services under one roof) which in turn gives a broad enough base from which to launch a worthwhile overseas operation and, in spite of backing away from the Slater deal, will continue along that particular path.

It has been said there are as many attitudes as there are merchant banks and this seems to be proven by the way the other merchant banks react to the Hill Samuel concept. Right at the other end of the scale, so to speak, is Robert Fleming which five years ago took a policy decision to restrict itself to two main platforms of operation—investment management (where it already had a prime position among the banks) and corporate finance.

Somewhere between the two come banks like Hambros which believes size in banking terms gives strength to a merchant bank but, because no merchant banks can compete with the big clearing banks for size, maintains merchant banks must offer ingenuity or speed when up against such giant organisations. So Hambros prizes its international connections and the fact that it maintains a high quality in its wide range of financial services. "It is only when banking becomes a mass marketing operation that size becomes terribly important and in that area the clearing banks and U.S. banks would lead the way," Hambros maintains.

Lazard Brothers has also opted to remain reasonably small so that it can take advantage of new situations, can change course quickly and keep staff numbers small. "Why be a small commercial bank when you can be a big specialist?" is the question asked by Lazards. Faced with the sure prospect of the clearing banks moving further and further into traditional merchant banking territory (examples here are the Midland takeover of Montagu and National Westminster's attempt to "grow" its own merchant bank in County Bank) Lazards takes the view that one of the benefits of being fairly small will be that it will be able to keep ahead of this competition.

Common theme

Against this view comes that of Mr. Jim Slater who still believes in the "bigger is better" theory. "Banking, investment, property and insurance all interlink with finance as the strong common theme," he has explained. "None of these areas is labour intensive, all are greatly expanding and all should benefit greatly from Britain's entry to the Common Market."

While the merchant banks voice confidence about being able to keep ahead of growing competition from the clearers, they seem even more confident about being able to shoulder aside any potential threat from the Continental banks.

But there is no doubt that it will take some time for the effects of Britain joining the EEC to come through to the U.K. merchant banking community. This is because the U.K. banks had made many of their moves well in advance of entry. The Eurocurrency market, for example, has developed with its centre in London and many of the merchant banks have firmly established their European contacts over the past decade. Hambros, to give one instance, claims that a large proportion of its clients are domiciled outside the U.K. already "so we felt part of the EEC before we joined. We are an international bank based in London."

Sir Kenneth Keith, chairman and chief executive of Hill Samuel, summed up this way on the subject: "I do not think we can expect a substantial upturn in earnings immediately upon and directly as a result of EEC entry. It is when the later developments connected with economic and monetary union take place that we can look for the extra benefits arising from our membership of the Community itself," he said when speaking of the merchant banking community as a whole.

He recalled that it has often been said that U.K. merchant banks, with their expertise in corporate finance — particularly in the field of mergers—would be well placed to handle the spate of European business which some believe will build up in the Common Market.

(An example here in the past few weeks was when Baring Brothers beat off local opposition when bidding on behalf of Commercial Union Assurance for Delta-Lloyd, second largest of the Netherlands' insurance companies. Barings employed a technique banned under the British Takeover Code and thus established once and for all that the U.K. banks can follow a "when in Rome" policy when acting outside their own country. As a spokesman for the Takeover Panel explained: "Our code applies only to situations where the company that is the subject of a bid is a British public company. When U.K. companies are acting elsewhere in the world, they can be expected to comply only with the local regulations.")

More harmonisation

Sir Kenneth insisted, however, that the great hopes the U.K. merchant banks might hold must be put into perspective. "If we are to be realistic, I think I must says that there will not be merger activity on the scale which we experienced in Britain in the 1960s until there is much more harmonisation in both the legal and fiscal fields in all the major countries concerned."

Depressed market leads to slump in new issues

By DAVID WRIGHT

After a record year in 1972 new issue business for the banks has slumped to a point where an offer for sale or placing is hot news. Whereas last year it was possible for the banks to float a number of new issuse while some even took the opportunity to form their "in house" investment trusts, specialising in one area or another, this year it has been impossible to get away with anything but a first rate issue, or one which was pitched with plenty of scope for some follow through.

The depressed equity market is undoubtedly the root cause of the dearth of issues—the Financial Times Industrial Ordinary Index has fallen by 18 per cent. on the year to date. Just what effect this has had on the new issue market can be gauged by statistics compiled by the Midland Bank. For the first six months of the current year some £115m. was raised by the issue of marketable securities as compared with £423.1m. in the same period of 1972 and a record £1,096m. for the full year.

The writing was really on the wall after the first few months when out of the ten offer for sales in January and February only three were oversubscribed; six were undersubscribed and one just subscribed. Furthermore only three started above the issue price on first day dealings.

First class

To a certain extent the issuing houses must take some of the blame for this dismal start to the year. The issues, generalising now, were hardly of first class quality while at the same time the banks tended to price the offers more in line with the buoyant condition apparent in the previous months and not to suit the depressed markets prevailing at the time of flotation.

Anyway the effects of the first two months were plain to see in the equity new issue market. No offers were seen in March while the only new issue activity consisted of a placing of shares in a small concern called City and Borough Property and a £2.2m. rights issue by Kulim Rubber. The total amount raised in the month was £8.3m. which represented the lowest monthly total since November of 1958.

After this sort of showing it was clear the banks were going to have a tough time floating any newcomers on the market, what with the stags withdrawing in their shells and the general public becoming highly selective. Having said this there was always plenty of money around for the right type of issue pitched at realistic levels.

Suitable companies

Lazard Brothers had an outstanding success with its offer for sale of 1,314,474 Ordinary shares in Midhurst Whites, a property investment company, at 38p per share. The issue was oversubscribed some 84 times bringing in total subscriptions of £41.9m. The follow-through scope was definitely apparent here for the shares closed at 55p at the end of the first day's dealings. Northern Bank Finance was another to taste success with its offer of shares in the Jones Group. Aided by the fact that there is a shortage of suitable companies based in Ireland which the resident institutions can choose from, Jones Group was subscribed 38.5 times while the shares went to an immediate 9p premium.

The first really well-known name to come to the market in 1973 was Bejam, the frozen food and freezer specialist. Williams and Glyn offered 2.75m. shares at 72p which on the forecast of £960,000 pre-tax put the shares on a net p/e of 16½. The issue attracted applications for 363,472,500 shares or a total of £262m. In subsequent dealings the shares hit a peak of 121p although they have since eased back to 110p. Williams and Glyn came in for a certain amount of criticism on its pricing of this issue, which was a bit unfair for there was precious little in the market to use as a guideline except Alpine, and this was badly left with the underwriters.

Considering the amount of pre-issue publicity that Sainsbury encountered together with the high class image that had been built up over the years there was little doubt that S. G. Warburg was backing a winner. In response to the offer of 10m. shares at 145p each there were 147,577 applications for 340.7m. shares. The subscriptions therefore totalled a record £495m. Here again some may argue that the issuing house erred to much on the side of caution. But the issue was priced at something of a premium to existing supermarket groups while the jump in the share price since to 166p (the high is 172p) surely topped even the highest expectations.

Not that the responses to the Bejam and Sainsbury's issues meant that any big or well known name was destined for success. Rolls-Royce clearly shattered this assumption. Having put the whole company up to tenders the best offer that N. M. Rothschild received was around £35m. Considering this the bank did well in selling the company to the public for £38.4m. without the full control that the consortium would have enjoyed. Under the underwriting agreement the issue would be at least once subscribed even if there was no public response. As it turned out it was just as well that this scheme was in operation for the general public only put up £8m. — 36m. shares were issued at 90p each and £6m. of 8 per cent. Convertible stock. So while Rothschild served the liquidator's needs well the public and more important the underwriters could hardly have been so.

Continued on next page

Providing capital for the small business

By PETER FOSTER

Anybody who subscribes to the "little acorn" theory of growth in British industry must see the importance of encouraging smaller companies. Not only do they provide a breeding ground for new technology and entrepreneurial talent but they are also extremely important to the economy as a whole. In the U.K. there are some 1¼m. small firms and they account for almost a fifth of the GNP and almost a quarter of the output of the private sector. They employ more than the whole of the public sector. Moreover these figures are based on a fairly modest cut-off point in terms of size. The criteria used are 200 employees or less in manufacturing, £50,000 sales per annum or less in retailing, £200,000 or less in wholesaling, 5 vehicles or less in transport and similar criteria for other industries.

In fact, if one is considering venture capital, which is capital injected into a business when it is on the point of "taking-off" in production terms, and, even more so, so-called "development capital," which is the sort of support provided in the pre-flotation stage, these criteria are certainly too modest.

Potential sources

It is of key importance to any business at the pre-flotation level to be aware of the potential sources of finance open to it. The present Government has made a positive move in this direction via the instigation of a number of "Information Centres," the purpose of which is to provide help and guidance specifically to the small business man. The first of these centres was in fact opened just over a month ago in Newcastle.

They are intended essentially as signposting organisations which will not provide advice as such. They will however direct the small businessman to the places where he might get it. The idea is that they will carry lists of organisations which provide finance, and other services, and they will then, using their expertise, direct the enquirer towards whichever is the most appropriate for his particular needs. Two specifically financial pamphlets have been prepared for business men, both of them written by outside experts, which deal respectively with sources of finance for the new and the established business. Another nine centres will be opened by Christmas and they should prove highly valuable to the small but expanding business.

Initial stage

The source of finance for the small firm depends very much on its size. Analytically three separate types of small firm finance are usually distinguished First there is the provision of so called "seed capital," which is needed at the initial stage of realising what was until then merely the successful prototype of an idea. Next comes the stage at which there is perhaps full production, if the product is a manufactured one, and there are fairly sizeable order books, although substantial modifications may still be necessary. Finally comes the "Development Capital" phase, which is usually synonymous with the pre-flotation stage, when the company has a distinct share of the market and the expansion possibilities are clearly in sight.

The range of organisations which provide such services is not so neatly categorised. The banks are of course the first stop for the expanding small businessman but the advances supplied by the local bank manager are of the overdraft type and are usually used as working capital. When the firm starts to outgrow the local bank it will be directed elsewhere. Now that there is a trend towards the large clearing banks acquiring merchant banking subsidiaries the potentialities for liaison have increased greatly and there is the prospect of one single organisation providing financial assistance to a firm from humble origins all the way to a public quotation.

There are however distinct problems, or at least there have been in the past, with bank finance for small companies. Bank lending was, at least until the announcement of the policy of Competition and Credit Control (CCC) in 1971, a prime instrument of demand management for the Government of the day. This of course meant that the small firm was subject to the vagaries of stop-go and recurrent squeezes, when the banks would be more concerned for their larger customers. So far we have only seen CCC in an expansionist climate, but it will be interesting to observe what will happen if the brakes have to be applied to the economy. Essentially the Government seems to have moved away from the qualititative type of controls which were seen in the past towards a much more market-orientated approach. There may be a strong case for remaining qualititative when it comes to favouring finance for smaller companies.

Beyond the clearing banks there are a large number of finacial institutions which cater for the expanding small firm. The largest, and one which was set up by the clearing banks in conjunction with the Scottish Banks and the Bank of England, is the Industrial and Commercial Finance Corporation. This organisation is Europe's largest provider of loan and equity capital to small businesses. It has an average commitment of around £100,000 to over 2,000 customers. ICFC has a technologically oriented subsidiary called Technical Development Capital. TDC is more concerned with the "Seed Capital" stage and although its average commitment is still as high as £80,000 its interests range all the way down to £1,250. ICFC's size and backing mean that it has advantages in raising money which enable it to be flexible in its repayment terms, often gearing these to a company's growth projections.

When it comes to the merchant banks, they are obviously only interested in the larger propositions. An initial enquiry will be followed up by a thorough investigation of the company's track record, its financial controls, the quality of its management and its product and market potential. If these are all satisfactory then the bank may offer either a straight loan or a package containing both a loan and the taking of an equity stake.

County Bank, the Natwest subsidiary is probably a pretty fair example of the way merchant banks go about looking at small companies. County likes to see at least two or three years of solid growth before it will consider a company eligible for a loan. Then after careful examination it will be prepared to take a view of up to 10 years in terms of loan finance. In general terms County will not look at situations involving a loan of less than £50,000. The company has no specific interest in any particular area of industry or finance but, for the right company, it will be prepared to take an equity stake of up to 25 per cent. The rates which are charged to customers depend partly on the nature of the venture and partly on the equity stake which has been taken. Specific rates are related to the interbank rate and range from around 2 per cent. above to around 3½ per cent. above this rate. County takes no part in the everyday management of the company, unless specifically asked for advice, but usually seeks a quarterly financial report on companies in which it holds an interest.

Personal relations

Merchant banks in general are inclined to develop close relationships with the small companies with which they become involved. They even stress that the parties involved should get on well personally. The relationship is essentially a continuing one which will hopefully see the small company through to flotation.

The tendency towards financial conglomeration has led others into the venture capital field. For example the Co-operative Insurance Society, one of the largest insurance groups in the country has a venture capital arm called the "Small Business Capital Fund." This company lends, by way of loan and equity capital, sums of between £20,000 and £500,000 to small and medium-sized companies.

All in all therefore it seems that between the positive steps taken at Government level to encourage and guide small companies, and the increasing number of institutions who are interesting themselves in the field of venture capital, the small businessman is finding himself better served financially than at any time in the past.

The scene at the Midland Bank's New Issue Department when 10m. Sainsbury shares were offered for sale in July.

CONTINUED FROM PREVIOUS PAGE

New issues

pleased — the shares have since slipped to 65p.

These few illustrations show that although conditions in the equity market were stacked against new issues there were the odd occasions when the banks' corporate finance departments ticked over, which was more than could be said for the activity in the fixed interest sector.

Here the climate has been subdued for over 18 months despite a sudden drop in interest rates around January and February of 1972. Only a handful of companies, and these were mainly the issuing houses themselves, took advantage of the situation. Industrial and commercial companies were advised by their banks to borrow long at that time but with funds more readily available on a short-term basis through the clearing banks and at more attractive rates the response was negative. Since that brief period interest rates have firmed up again which in turn has dissuaded even the ardent long-term funders. Since November, 1972, there has only been one sizeable issue of fixed interest stock when Lead Industries raised £5m. by the issue of 10¾ per cent. Unsecured Loan stock.

There is, however, every chance that activity will be renewed in this sector in the next few months. By putting up the base rate to 11 per cent. the clearing banks are now charging 12 per cent. on overdrafts to the prime borrower and rates of up to 16 per cent. for the others. While rates in the Stock Market have obviously been affected by this move its competitive edge has undoubtedly been improved and it is significant that there is still plenty of money around for high coupon stocks.

As to equities it is doubtful whether the banks will venture much until there is a definite and sustained improvement in the market. In the circumstances, then, there is unlikely to be any significant increase in activity for the remainder of this year.

U.K. BANKING XVIII

Smaller banks have special advantages

By JEFFREY BROWN

The four clearing banks dominate the market in retail banking but they do not have a monopoly. Scotland for one has its own system of banks, while in England and Wales there are plenty of smaller banks to be found, in and around the bigger cities at least. For the most part they can offer the individual attractive banking facilities.

Basically, the clearing banks offer potential customers a comprehensive banking service which the smaller bank may be hard pressed to compete with. The clearers have a massive spread of bank branches so a customer's contact with his (or a) bank manager is never very far from hand. An important selling point this. But despite a more modest base, the smaller bank is not totally inflexible and it has a number of arguments in its favour.

From the point of view of "personalised" service the smaller banks have an advantage. The turnover of staff and management among the clearing banks can be high, and while few would claim that the smaller banks operate on an ideal basis the "familiar face" is plainly an obvious part of their retail appeal. Moreover, the smaller banks can be less crowded—notably during times of peak usage—which all helps to create an atmosphere of individual attention.

Saturday service

Staying with the ease, comfort and convenience theme, a number of smaller banks offer the public a banking service on Saturdays; London and County Securities' in-store banks, for example, and Harrods Bank, Harrods (Knightsbridge). To a growing faction of the public, the absence of Saturday opening is a considerable gap in the present national banking service.

Generally speaking the smaller banks are a maze of differing types. For every old established bank there is a brand new one. Some are as much merchant banks as they are purveyors to the general public, while others fall into a variety noted for their specialisation in hire purchase credit. In fairly recent times—dating back, say, to the mid-sixties—the expansion of the market in smaller banks received a generous nudge from the authorities. Certainly within this period many small banks decided to obtain a stock exchange listing, a move invariably associated with good trading times.

Thus such names as Cedar Holdings, London and County Securities, Dalton Barton (now part of Keyser Ullmann group), County Bank (now National-Westminster group) and Wintrust all came on the scene as a vehicle for public investment during this period. All have proved successful ventures though to be truthful few of them have based their fortunes on the consumer banking sector.

In 1965 the Bank of England imposed lending ceilings on the then big five clearing banks—the National Provincial merged with the Westminster three years later—which meant that many customers had quite simply to be turned away. These same customers eventually turned to the smaller banks which had escaped the Bank of England's lending rules; demand for borrowing, largely to finance property deals and developments, was high; and the smaller banks prospered accordingly.

In 1971 lending ceilings were lifted from the joint stock banks when in September of that year the Competition and Credit Control Acts came into force, but so far there have been precious few signs that the smaller banks have suffered as a result. In the year to March 1973, London and County Securities managed to raise profits by over 100 per cent. (to nearly £3.6m.) while at Wintrust the same 12-months produced profits up from £721,000 to over £1.3m. on the back of a rise of one-third to £30.5m. in deposits.

It is of course fairly easy to track the earnings performances of the publicly quoted smaller banks, but many banks are either private organisations or wholly-owned subsidiaries of major banks. Coutts for instance is owned by the National-Westminster; National and Grindlays is partly owned by Lloyds Bank and the First National City Bank of the U.S.; the Yorkshire Bank—which dropped the word Penny from its name in 1959—is owned by a consortium of Barclays, Lloyds National-Westminster; while the biggest bank outside the clearers, Williams and Glyn's, is part of the National Commercial Banking group.

Private company

By the same token Lloyds and Scottish is a private company, one of many private banks still in existence, and so too is Hoare (C.) and Co. The former is a relative newcomer but Hoare, like Coutts, was established in seventeenth century—in 1672 in fact, some 20 years ahead of the Bank of England. James Finlay, better known for its work as a Far Eastern agency, is also a bank with a long history.

The list in fact is almost endless, and being added to constantly, for it is in fact relatively easy to start a bank. Naturally enough, to offer the sort of service that banks offer to-day a variety of Bank of England permissions and DTI regulations have to be complied with, but the actual business of starting-up a basic lending/depositing house is fairly painless—as long as the word "bank" does not figure too prominently in the name or that the name itself is not too grand and imposing.

Over the past couple of years competition has come into the whole world of banking on a much greater scale. This is especially noticeable at the consumer end, with the joint stock banks now disclosing individual customer bank charges—see the table elsewhere in this Survey—and growing daily more aware that the general public is becoming more conscious of its banking costs. But there are a number of banks who do not levy bank charges.

The most obvious fall into this apparent thropic category is pe Trustee Savings Bank all banks allow the some net interest against his bank cha the sums are relativel At the TSB no cha incurred on what is e a current account interest of 4 per cent first £525 deposited. Holdings, too, is a ba charges on current acc unknown.

Cedar has spent a in recent times on its chargeless service via the cinema scr over the past year reckons the number of account customers on has risen from about 85,000. The past year the company's spread branches increase from six and it has also ta move into "free" any sizeable deposit example, a colour for a deposit of £5,000

Having settled into head offices in April, and County Securiti look back with s upon a year which h in five new in-store openings, thanks to demand for Friday banking plus all-day Since April, Lond County has put th branches into operatio wonder, perhaps, Lloyds Bank in-sto Lewis's has recently Saturday banking.

Recently, Wales ac first bank when th group formed the C Bank of Wales but dent banking has alw an integral part of Not surprisingly, there Scottish banks are animals, headed by t Bank of Scotland, th Bank of Scotlan acquired the Britis Bank four years ag very far behind. Fin is the Clydesdale, rou the size of the ot affiliated to the Midla

Secondary banks

By KEITH LEWIS

The term "secondary bank" arouses a considerable degree of indignation when applied to certain up-and-coming financial institutions who feel that the description is in some way derogatory. However, one could quite reasonably apply this title to any company in the deposits/lending business outside the clearing banks, the accepting houses, the foreign banks and the consortia banks. Although, some would quite simply apply this label to anyone outside the clearers.

The difference is in approach, and quite clearly the emphasis with a clearer is in providing a "service"—that is, current accounts, overdraft, standing order and cheque facilities—rather than finance or corporate advice, although in most cases there are subsidiaries or strong ties with units that specialise outside of primary banking: Midland has Montagu, Natwest has County Bank and Lombard North Central, and Barclays has Old Broad Street Securities through its holding in UDT. But anyway, for all practical purposes the secondary bank takes over from where the clearer leaves off, with the concentration in lending in a variety of ways for a variety of customers. This is in spite of the fact that a great many finance houses and merchant bank style operations are moving into traditional banking.

Take London and County, for example, which now operates an orthodox day-to-day banking business with all the usual facilities. At the moment, L and C has over 20 branches in operation, but the corporate borrower is aimed at on the lending side. Naturally, most banks would prefer to lend, say, £25,000 to one good customer than £1,000 to 25 customers of variable quality, though the corporate loan would probably be accompanied by management advice.

Hodge Group, has grown strong by providing finance for specific projects, notably residential property development. On the face of it, the risk would be higher for the bank, but then the rate of interest would be commensurately higher and a team of experts — including surveyors, architects and so on—would assess the situation beforehand. Once approved, the borrower would almost certainly be able to obtain an advance far greater than he would from a clearing bank.

One of the functions one has come to associate with secondary banks is the provision of consumer instalment credit, such as second mortgages. And it is the latter form of finance that has caused so much controversy. For some time it has been felt that the consumer has been unfairly tempted into taking a very expensive line of credit, often unnecessarily. But the reasons for the growth of the business—now reckoned to be in the region of £500m.—are not difficult to find.

House owners

With a vast number of house-owners sitting on a large notional equity in property, and with restrictions on hire purchase under the last Government, consumers understandably looked to the second mortgage companies, who were not controlled, to provide finance. One of the main attractions was that the repayments could be spread over a long period, possibly up to as much as fifteen years. This was certainly longer than any clearing bank would be prepared to consider, or any normal finance house for that matter on an unsecured basis. The maximum amount of cash would almost certainly be higher as well, assuming that there was sufficient equity in the house.

Furthermore, the purpose of the loan would not come under that close an examination, whereas on, say, a further advance from a building society—assuming one was lucky enough to get one—the use would be strictly limited to house improvement. It is worth noting, however, that around 80 per cent. of all second mortgages are reckoned to be for house improvements of one sort or another.

There are plenty of people who feel that the future of second mortgage business is very bleak indeed, mainly because it was built almost solely on the back of a credit squeeze which is no longer in force. Mr. Gerald Caplan's London and County Securities pulled out of the second mortgage business—and all other forms of instalment credit business for that matter—earlier this year. The view here was that since second mortgages

Continued on next page

U.K. BANKING XIX

New adventurousness in Scottish revival

By CHRIS BAUR, Scottish Correspondent

One of the prominent features of the general revival in Scottish business confidence during the past year or more, has been the evidence of awakening adventurousness among Scotland's financial institutions.

This has shown through mainly in the increasing attention to what one might loosely call the "merchant" side of banking and investment activities.

There are a number of reasons for this. The process has clearly been encouraged by the rising tempo of the economy generally. In addition, a more aggressive attitude has been fostered among the clearing banks by official policy since late 1971. The lifting of lending controls then which led to such a dramatic increase in personal credit business for all three Scottish banks, has also sharpened the edge of competition for corporate financial business.

Finally, and most significantly, the discovery of oil off the Scottish coasts has called for a positive response from Scottish institutions—and for a degree of professionalism which, whether it existed before now or not, certainly cannot have been called into action on such a scale previously, to service purely "local" Scottish investments.

The Bank of Scotland's experience illustrates something of these trends. The bank took an early decision to become closely identified with the oil activity in the North Sea and has since appointed three consultants, recruited from the oil industry and based in Edinburgh and Houston, Texas, to identify and evaluate investment opportunities in oil.

Its small share, with other Scottish banks, in the £360m. loan raised to finance BP's Forties Field development, off Aberdeen, persuaded the bank to strengthen its own capital base.

In January this year it approved a £3.23m. increase in authorised capital which, with the stock being issued at a price of £6 per £1, effectively increased the stockholders' funds by nearly £20m. to almost £53m. from this base the bank expects to be able to attract additional deposits of between £160m. and £200m.

In fact, the bank's actual commitments to oil-related business are still comparatively small—approaching £30m., representing under five per cent. of its total investments. It is accounted for in many instances (apart from normal overdraft facilities with clients seeking a "share" of oil business) by minority stakes in such ventures as the Seaforth maritime rig-service operation in Aberdeen, and the Viking Marine Equipment Group's construction in the Netherlands of a £27m. pipe-laying barge.

Conscious of the scale of finance needed by the industry, the bank and the Republic National Bank of Dallas, last year initiated discussions with four other banks on the possibility of floating a consortium to fund larger projects.

This culminated in the July formation of the International Energy Bank in which the Société Financière Européenne took a 30 per cent. stake, the Bank of Scotland, Barclays Bank International, Canadian Imperial Bank of Commerce and the Republic National Bank of Dallas took 15 per cent. each, with the Banque Worms 10 per cent.

Big league

With total resources of more than £70,000m., the new IEB offers the Scottish Bank a partnership in very big league financing. This has happened at a useful time, when a natural and vigorous expansion is taking place in the development of the bank's five-year-old finance company—its principal vehicle for corporate finance.

The Royal Bank of Scotland, the largest of the three Scottish clearing banks, has similarly taken a close interest in oil, though it has not sought the oil image-making of its main investments in oil-related projects at over £50m., representing some 10 per cent. of its total lending.

It too has deliberately nurtured the fast growth of its development company which, both in the oil sector and elsewhere, is now concentrating increasingly on organising fairly large-scale project finance package deals, involving varying combinations of term loans, credit, equity participation and leasing.

The company's lending is estimated to have expanded four or five times in the last year alone, and has certainly witnessed a faster growth than the total lending of its parent bank.

Outside the clearing banks, there has been a steady growth in private banking activity. Few can yet emulate the performance of Alexander Stone's Glasgow-based British Bank of Commerce which has expanded its deposits from only £661,000 in 1964 to £43.5m. this year, its outstanding growth coming largely in the years since the 1969 flotation of the bank.

With pre-tax profits up last year from £1.6m. to £2.4m., the British Bank of Commerce has this year created Scottish Assets as its vehicle for financing North Sea oil projects. It is 50 per cent. owned with a group of British and American oil industry specialists, operating as Resources and Executive Management.

Edward Bates, the Edinburgh bank has also expanded its capital foundations (and has opened an Aberdeen office) mainly in response to oil activity. Formerly a wholly-owned subsidiary of Atlantic Assets, the £50m. Edinburgh fund, Bates was floated earlier this year, reducing Atlantic's holding to 32 per cent., and raising some £20m.

It already manages the exploration companies, Caledonian Offshore and Viking Oil and has assisted in the promotion of the £14m. Viking resources trust as a further means of investment in North Sea oil and gas.

With another Edinburgh bank, Noble Grossart, Bates manages the £8m. North Sea Assets Trust, launched less than a year ago and which now has invested in offshore services, underwater services and oil pipeline laying equipment.

Noble Grossart itself, as well as masterminding the £70m. February merger of the Stenhouse Group's insurance broking interests with those of the Canadian company, Reed Shaw Osler, has pushed ahead its own oil interests. It has doubled to £4.5m. the capital of its exploration company, Pict Petroleum, and has taken Pict into a joint oil marketing venture with the British subsidiary of the French Total group.

In Glasgow, where Slater Walker has this summer established its first Scottish base, two other banking operations seem poised for expansion. James Finlay, the tea trading group, has just launched its own autonomous merchant banking division. It has been funded with nearly £10m.-worth of resources realised in the February sale of its general investment portfolio, and is also supported by an increase in the company's borrowing power from £7m. to £39m.

The second is the "Dalscot" subsidiary of Dalton Barton Securities, launched three years ago as the platform for developing Scottish business. It is now owned 77 per cent. by Kaiser Ullman since that company's merger last year with Dalton.

New accounts

With deposits now of over £6m. in some 400 Scottish accounts, Dalscot has been tending to mark time as the new group's national efforts have been devoted to reconstruction following the merger. It is a fair bet that this pause will not last long—and, indeed, there is already persistent gossip about the imminence of a reorganisation of the Scottish branch operation.

For some Scottish institutions, of course, the year has produced its headaches. Atlantic and North Sea Assets in Edinburgh, for instance, have respectively withdrawn and reduced their founding shares in the troublesome onshore investments, largely as a result of the controversy which developed over onshore's optioning of huge landholdings in key oil-coast sites of the Northern Isles and the North Scottish Mainland.

Undoubtedly, however, the major cloud on the financial horizon loomed with the considerable difficulties encountered by the Scottish Co-operative Society finance department, leading to the Society's hurried merger this spring with its Manchester-based counterpart, the Co-operative Wholesale Society.

The Scottish Co-op's massive over-extension in dealings with sterling certificates of deposit is now a matter of record, as is the subsequent rescue operation mounted by the CWS Bank, and underwritten by the London and Scottish clearing banks. In a year of generally creative financial developments in Scotland, the Co-op episode has provided the chilling negative lesson in money market management.

CONTINUED FROM PREVIOUS PAGE

Secondary banks

had become something of a political hot potato it was far better to get out of the business before it grew any larger. Apart from that, L & C wanted to improve its image, did not need the income and was no longer prepared to pay out the huge commissions to agents to attract the business. The portfolio was around £6m., and Mr. Kaplan readily admits that had this been, say, four times larger he would not have been able to afford to close down.

Most of the second mortgage companies admit that the great boom era is probably over, though expect growth to continue at a somewhat more pedestrian rate. The fact is that when house prices get on the move again the desire to raise cash on the equity content will be as strong as ever. And as it is one of the unfortunate aspects of U.K. building societies that they do not lend in this manner to their existing borrowers the second mortgage companies will still be in business. The comforting thing is that since there is now a Voluntary Code of Conduct, which will subsequently become legislation, the business may be of a more desirable nature.

Like life assurance, a great many people selling to consumers are paid on a commissions basis, and it is virtually impossible to control the conduct of those people from a central office. Furthermore, the vast majority of the individual agents are part-timers who are not dependent on the salary and who are therefore not inhibited in their selling methods in the same way that a salaried employee would be.

But by far the largest source of business comes from the mortgage broker network and again, as in life assurance, those at the top operate a very good, reputable business while there are certain fringe elements that bring the entire business into disrepute. On a commission system, it is inevitable that the broker or agent will be tempted to encourage the customer to take that scheme which generates the most income for the agent rather than that which is the most favourable for the customer. Insufficient information has often been given about the "true" rates of interest—most of the top second mortgage companies charge between 1¼-1½ per cent. per month—and about the "penalties" for early termination of the contract. With the latter in particular, since most second mortgages never run their full time (normally because the person moves house) it is vital to read the small print. First National Finance, for example, operates very much in the same manner as a personal loan in that interest is charged on a day-to-day basis and normally three months' notice is required to terminate, or three months' interest. And that is one of the more favourable.

The new Code, which was published in March this year, was broadly welcomed by the leading companies in the industry — Cedar Holdings, Hodge, FNFC and Guardian Capital (controlled by Vavasseur). While no voluntary Code can ever really go far enough it does at least ensure that in future consumers will have a better idea of what they are getting into. Broadly speaking the Code requires that the following should be declared: (a) the total money cost of the loan (including professional fees); (b) the true and total cost of the loan stated in percentage terms per annum on a reducing balance basis; (c) any exceptional charges that can arise during the life of the loan; and (d) what charges remain to be paid if the borrower settles earlier than the contract states. It also requires that any commission paid to acquire the business should not be paid by the customer.

These new ground rules should present no great problem for the leaders in this field though, hopefully, it will help stamp out the fringe element who were so scathingly criticised in the Crowther Report on Consumer Credit. Thus far it is difficult to gauge the effectiveness of the Voluntary Code, and the impact, since most of the measures are aimed at the shadowy end of the second mortgage business, may not be apparent for some time. When one considers that the £500m. estimated size of the business is chopped up into average units of £300 there are an awful lot of consumers who have already taken the bait.

U.K. BANKING XX

Finance houses respond to increasing competition

By KENNETH GOODING

There is no doubt that the volume of instalment credit business in the U.K. increased substantially during the past year—but it is difficult to establish just how substantial was substantial. It is easy enough to get at the statistics for the finance houses. During the period of the Finance Houses Association's last financial year—to the end of February—the total of instalment credit outstanding jumped by 32 per cent., from £1,036m. in February last year to £1,382m. in February 1973.

The problem is that the figures of instalment credit business done by the clearing banks are not available. Their absence masks not only to some extent the growth of instalment credit overall but also the increased competition for business. The finance houses have had three years in the new competitive climate and remain remarkably confident that they can continue to keep a fair share of the consumer credit market.

Reserve assets

New competitive spirit was let in when the Government in September 1971 scrapped quantitative limits on bank lending and terms control on hire purchase and credit sales and sought to regulate the money supply through a system of reserve assets which could be varied by calls for special deposits. The idea was to control the cash available by altering the supply and price of funds entering the market place rather than by physical limitation—an approach never before tried in the U.K.

Finance houses have responded to competition by showing considerable flexibility and willingness to finance an increasingly varied range of transactions. Since the abolition of terms control and ceiling control the terms of instalment credit business—the new types of business as well as the more traditional forms — have been determined by the market rather than regulation by the authorities.

Making this point in its annual report recently, the FHA also make the pertinent retort: "However, Association members attach importance to doing business on terms that are fair, and have sought to meet competition by using their traditional inventiveness and ingenuity rather than by relaxing standards of credit judgment."

According to FHA members, it was the demand for personal lending which dominated the upsurge in advances during the past year. Some in the industry feel that the "freeze" on wages prompted more credit buying while others take the view that expectations of future wage increases, which previously had prompted advance buying, are now less strong.

Demand for business credit was slightly less bouyant, partly because of the discouraging effect on industrial investment of the Government's profit margin controls in the counter-inflation package. Also the rise in interest rates had a greater impact on business than on personal lending.

A notable feature of the increase in competition from the clearing banks in the instalment credit field has been the introduction of new credit cards by the clearers. The response by the finance houses, according to the FHA, has been "a perceptible trend away from point-of-sale credit towards direct approaches to customers."

The traditional strength of the finance houses has always been their point-of-sale business linked with the retail trader. This has been built up over a period of more than 40 years and the finance houses feel that a very large proportion of borrowers will still arrange their finance at the point of sale. Impulse buying of consumer goods will not diminish but will grow under the new credit system and finance houses should benefit from this. Customers are more likely to accept the "deferred terms" offered by the retailer than to wait and go through the process of arranging a personal loan—but just in case all the major finance houses now offer personal loan schemes.

In the words of Mr. Victor Adey, managing director of Mercantile Credit: "Point of sale lending in concert with the trader remains an extremely convenient method for the customer who can make his purchase and arrange the finance at one meeting. It is particularly important in the motor trade with which all the main finance companies have had such close ties for many years."

A note of healthy disagreement has been added by Sir Alexander Ross, chairman of United Dominions Trust who has publicly said he believes that the balance between point of sale finance and direct lending "may be expected to gradually shift in favour of direct lending"—which explains why UDT has been particularly aggressive among the financial institutions in advertising its "direct-to-the-customer" service and pushing on with its Moneycentre programme where a direct contact can be established with those members of the public seeking financial guidance and facilities.

The early pattern in the UDT "money shops" showed most loans not being made for direct purchase but for things like home improvements, holidays and so on. And, significantly, UDT found that as many as four out of ten of its early customers already had an alternative bank account and, it must be assumed, might well have gone to their clearing bank manager for a personal loan.

Strictly speaking, the term "money shop" belongs to the First National City Bank of New York which opened the first in Britain three years ago and now has more than 20. Apart from UDT there are money centres operated by Western Trust and Savings, the banking arm of the Western Credit group of Plymouth, Bowmaker and First National Bank of Boston, who have all been in the field for some time.

No account

There are some in the industry, however, who believe that as half the adult population in the U.K. does not have a bank account it might be difficult to attract them into the money shops, however attractive these shops might be. But these people will still need credit. Some companies think there is, therefore, still tremendous scope for direct mail to potential customers when searching for personal loan business. This way all documentation and delivery of the cheque is done through the post. It is still to been seen how this kind of operation will be affected by the Government's "credit and the consumer" legislation currently in the pipeline because there have been broad hints that mass unsolicited canvassing for business by the instalment credit concerns will be banned. (The Government apparently has in mind the way that the clearing banks sent out thousands of credit cards to people who had not requested them.)

Flexible rates

As for their business credit operations, the finance houses added a new flexibility to the schemes they can offer when in September 1970 the Finance House Base Rate was introduced. This is calculated monthly by reference to the inter-bank three-month rate and the effect is that on long-term agreements the rate of interest can now be flexible.

The FH base rate is now used extensively by economic analysts and commentators and it has become the most reliable and the only objective indicator of the real cost of money and is likely to become even more widely used during the coming year.

According to the FHA: "Its stature will continue to grow as its value becomes more widely recognised by all concerned with credit transactions. Although it does not directly affect the rates charged on consumer credit transactions, it is being increasingly employed in the determination of commercial lending rates."

All in all, the finance houses continue to wear enormously optimistic smiles. Their attitude is captured by the recent FHA report which maintained: "In continuing to do business only on reasonable terms, finance houses have reacted responsibly to harder competition. They will continue to do so and are confident not only that the demand for instalment credit will continue to grow, but also that their share of the market will be maintained."

Trustee and savings banks

By CHRISTOPHER HILL

Any consideration of the Savings and Trustee Savings Banks at the present time really has to revolve around the Page Committee's report on National Savings. This appeared at the end of July and has thrown the National Savings Committee, the Trustee Savings Banks and the Government into a turmoil due to the radical nature of its proposals. And apart from the actual proposals, the report is immensely useful because of its general comments on the history, value (and morality) of the savings and investment scene at large. Stretching out to 350 pages the report has plenty of scope for general comment.

Leaving aside all the detail, there are two main strands of thinking which run through the Page Report which may be summarised as follows. First, Page believes that there has been little radical change in the main National Savings institutions and media since they were started (TSBs in 1810, Post Office Savings Bank in 1861, and National Savings Certificates in 1916) and change is long overdue. The Report draws comparisons between the U.K. savings institutions and those of 16 other countries, virtually concluding that the parallel development of our many savings institutions is over-complicated and in many cases out-of-date. This particularly applies to the Government Bond market—which is complicated here by various forms of bonds whereas the U.S.A., Canada and France all rely on one simple form of borrowing.

Right facilities

Secondly, Page questions the role played by the Government in the National Savings scene, suggesting that its need as a backer has been reduced by the growth of many other forms of savings media (unit trusts, etc.), since the 1950s. Moreover, the Committee's problem with the National Savings Movement was to decide where its main responsibilities lay—with Government or with the saver. Perhaps the most telling sentence in the whole report is "For the national saver inflation has operated like a tax from which the Government as the debtor has derived great advantage." And elsewhere in the report, Page defines the Government's responsibility as to make sure that the right facilities exist but not necessarily to provide them.

Of course, all this has been like a douche of cold water for the National Savings Movement, though not for the Trustee Savings Bank which now looks set to break away. Page's recommendations for the withdrawal of all National Savings Treasury securities except the premium bond; the abolition of National Savings Stamps and the Voluntary National Savings Movement; the introduction of a new simple £10 unit; and possible inflation proofing through an index-linked bond all drive a coach and horses through the "patriotic" side of the National Savings movement. And, combined with the general rise in interest rates elsewhere, the report has had its effects on overall national savings receipts. There seems little hope of reaching the net target of £1,000m. for 1973-74 and the July figures showed a heavy repayments on National Savings Certificates.

Losing ground

In fact, the figures in the Page Report show that the National Savings Bank (formerly the Post Office Savings Bank) has been losing ground rapidly since 1965 in terms of balances due to depositors. In 1965, the figure for the Trustee Savings Banks at the year-end was £2,235m. against £1,823m. for the NSB, and by 1971 the gap had widened with comparative figures of £3,006m. and £1,831m. So where does this leave the National Savings Banks if the Page recommendations are fully implemented and the Trustee Savings Banks (which at present are not significantly different in function from the NSB) sever their links with the Government and launch out into the wider field?

What the proposals amount to in fact is that the National Savings Banks would be left very much the junior partner to the Trustee Savings Banks and one cannot blame Sir Robert Bellinger, chairman of National Savings, for not being very enthusiastic about this view. Page rather grudgingly admits that with 22m. active accounts, around 15m. users, and a countrywide network, there is a "continuing role for a bank of this type offering simple deposit and withdrawal facilities." But he reckons that there should be "no extension of services" and that what the NSB should offer in effect is a residual State-guaranteed banking service for savers who are either small enough or unsophisticated not to want anything else. However, more flexibility in interest rates is urged, despite the fact that the Bank's funds should continue to be invested wholly in public sector securities.

Compared with this scarcely attractive prospect, Page leaves little doubt that what he really wants is for the 73 Trustee Savings Banks to make a whole-hearted exit from the 19th century: cut away from the Government: and to transform themselves into a banking force standing midway between the commercial banks and the National Savings Bank. To some critics this seems a bit too ambitious, for although clearly changes were needed, a complete move into the banking arena had not been foreseen. But the Trustee Savings Banks have in fact welcomed the report and appear to have swallowed it almost whole. . . . the ink was scarcely dry before they started to pressure the

Continued on next page

Better prospects for National Giro

By CHRISTOPHER HILL

Like many another Government sponsored service, the National Giro's main problem at present is the memory of recent troubles. Since it was started in 1968 to provide a cheap and efficient money transmission service for the "unbanked" two-thirds of the population it has been criticised from all sides; has failed to arouse the public's interest as quickly as was hoped; and only just escaped being killed off by the Government because of its losses (£6.4m. in 1971-72).

Since the reprieve, progress has shown a definite improvement and (partially due to the increase in charges last year), the Giro is now meeting its short-term targets. Sir John Eden, Minister of Posts and Telecommunications, told the Commons in July that Giro was contributing a surplus of £¼m. a month to Post Office overheads in the period to end-June and was expected to break even in 1977. Having covered Post Office costs (counter services being the biggest item), this means that the Giro still has to cover its own costs and is still being closely monitored by the Government. It is also still being criticised by the sections of the public—a letter to the Financial Times in August again raised the hoary question of why Crown agents were unable to pay Government pensions into Giro accounts.

Irritating feature

It is just this kind of irritating feature which leads to overall condemnation on the grounds that the private sector is more efficient. But Giro has been expanding its services and there are distinct signs that people and businesses are becoming more aware of the value of the Post Office's facilities. This especially applies to the branches which have one splendid advantage over the banks in that they are open all day Saturday. The result has been a 40 per cent. increase in Giro turnover to £211m. in the year to March 1973; a 20 per cent. increase in balances invested to £80m.; and the number of customers should now be getting towards the ½m. mark—judging by the 473,000 recorded in July.

So where does the Giro go from here? One of the vital factors is obviously vigorous management and, following the Government enquiry, Alfred Singer (Tesco's ex-deputy managing director and finance man) was appointed Board member of Giro in the Post Office. He only filled the chair in mid-August so he is still new to the job, but he reckons that the immediate priority is to build up Giro publicity again—it came to a grinding halt during the uncertainty of the Government enquiry. He is also "enamoured of the idea" of the Post Office's 22,000 outlets and intends to make full use of them in broadening the base of accounts. Moreover, he is convinced (from his Tesco experience) that there is "quite a lot of business" to be had from multiple retailers.

Groups like Safeway and Woolworth currently use the Giro for money transfer and one of the practical advantages over the banks is that it is not dependent on everybody having an account. And, in fact, the clearing banks have come round to the idea that by concentrating on money transmission the Giro is not taking the bread out of their mouths. Customers with clearing bank accounts still remain with the banks but also make use of Giro services. When it comes to the push, the clearing banks would probably admit that they cannot profitably take care of all the money transfer requirements of the "unbanked" two-thirds and they certainly have a lot to gain by active co-operation with Giro when it comes to business organisations.

The Giro has also shot ahead when it comes to dealing with the public sector—like the Giro rent collection service for local authorities and the variable standing orders service. Taking the rents as one example, the Greater London Council announced in August that from October 1 it will be offering its Rents-Through-Giro scheme to all its 193,000 tenants, covering 80 councils and providing an annual cash flow of more than £100m. This follows the fact that a lot of councils are already using the Giro for rent collection. Unemployment benefits are now also paid by Giro and there are clearly great possibilities for all Government departments to make use of the system. One godsend to the ratepayer is the variable standing order service which was introduced in April. This enables him to sign an instruction giving the Giro authority to vary the amount of the payment when told by the local council that the rates have changed.

More attention

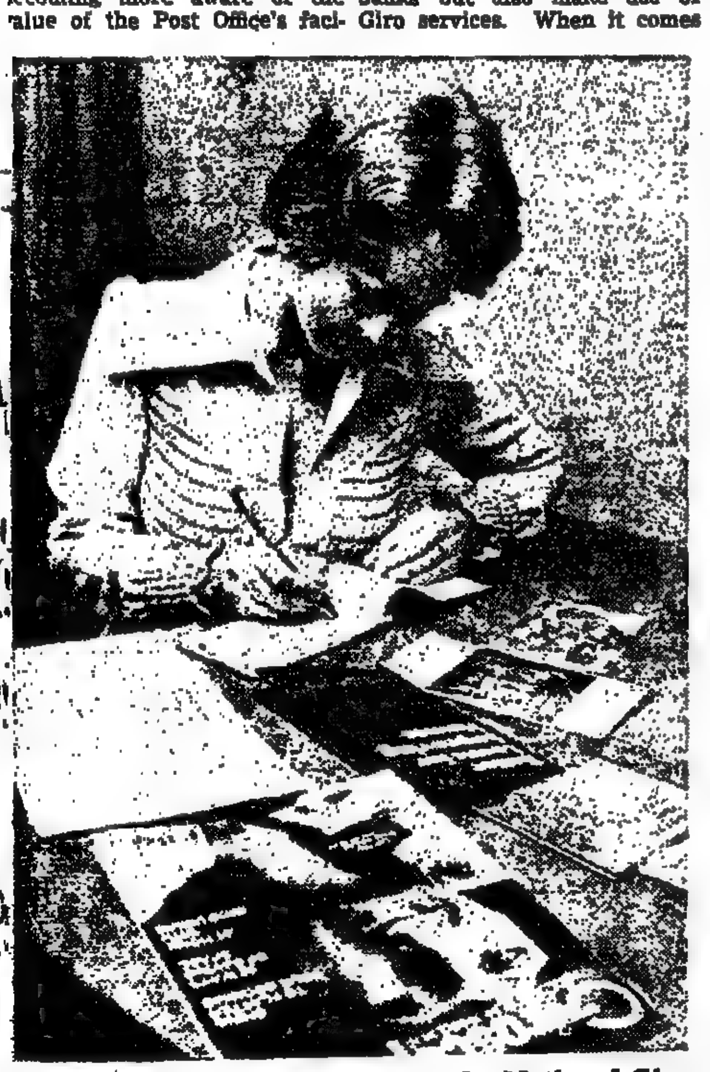
This growing affiliation with the public sector is probably doing more than anything else to make people aware of the Giro. And it has received more attention than the Pay-through Giro scheme whereby customers have their pay credited directly to their accounts. With a fearful eye on profitability, Giro obviously has to be careful not to have too many small accounts which would be near-empty for most of the time. But it does have an overall social objective to "get money off the streets" and in November last year it introduced new special terms for revolving and fixed-term loans from Mercantile Credit; a new bridging loan scheme; and, for approved customers, an extension of cheque cashing to all post offices, with a Giro Gold Card. More recently travellers' cheques and foreign currency were also made available through Giro in co-operation with Thos. Cook.

But, when all this is said and done, the Giro's need to achieve visible profitability has placed fetters upon its original social purpose and has aroused the anger of some commentators who point out that other examples of Government-backed projects (such as Concorde) seem less useful and involve vastly greater losses. There is also the question of keeping up with the European Joneses. All the West European countries (with the exception of Portugal, Spain and Ireland) operate Giro systems most of which have been established for a very long time. And Giro makes the point in its promotional booklet that it can handle all international transfers to and from Europe.

Large accounts

One point about the well-established Continental Giro systems (Switzerland's started in 1906) is that size appears to be not necessarily the guide to profitability. In Norway, for example, the comparatively small number of accounts is balanced by the fact that a considerable proportion of them are large and profitable. Moreover, in a comparable country to the U.K. like France, over 10 per cent. of the population has a Giro account. The clue to profitability seems to be attracting a sufficient number of business and governmental accounts to increase the size of the average balance. And the success of the Agents Deposit Scheme (which allows retailers to deposit their daily takings at post offices) plus the extension of rent collection and variable standing order schemes shows that this can be done.

Of course, getting profitable accounts will eventually get the Giro more and more into the arena of the clearing banks which will obviously not like to lose too many of the plums. However, in one way the clearing banks cut their own throats so far as money transfer is concerned by closing on Saturday. With properly managed finances, there is no reason why the Giro should not grab a good slice of the transmission cake—which fortunately is expanding all the time and will demand a lot more than the clearing banks have hitherto provided.



Customer fills out a transfer on the National Giro.

CONTINUED FROM PREVIOUS PAGE

Savings banks

Treasury for discussions about the return of the ordinary department deposits which are required to go into the Fund for the Bank for Savings run by the National Debt Office.

What it amounts to is that the Trustee Savings Banks' Association has been under strong pressure from the grass roots to accept radical changes. And the advantage that the TSBs have over clearing banks is that TSB roots lie in providing a service to the small saver rather than mainly serving the commercial customer. They have gone some way towards making changes on their own account (the introduction of the unit trust in 1968 was one example) and they have been pressurising for the ability to grant personal loans and to provide overdraft facilities. Page wants all this and more—including experimentation with mortgages and insurance — at the expense of the Government's "guarantee" and tax relief on interest paid to depositors.

Strong reservations

The chances of the Trustee Savings Banks geting their way look strong, but clearly neither the Government nor the Treasury are going to give way at every point. There appear to be strong reservations about an Index-linked bond and the Government is also keen to be seen giving National Savings — and the voluntary workers — its moral support. And Mr. John Nott, Minister of State at the Treasury told the Commons in July that the Government did not accept allegations that the terms of National Savings were unfair. In fact, there is justification for saying that the National or Trustee Savings Banks accounts (especially the Investment and Special Savings Accounts) compare well with the clearing banks were it not for the present interest rates crisis. The success of the new 8.5 per cent. British Savings Bond also shows that there is a demand for Government products pitched at the right level.

There are also the wider aspects to consider. For example, it would be naive to suppose that the clearing banks are just going to sit back and let the TSBs take over the small saver or that the building societies are going to welcome a new entrant to the house mortgage sphere. In the U.K. there are a number of deep-rooted "movements" and institutions competing for deposits (perhaps too many) and to provide similar services and it does not take much to upset the balance.

U.K. BANKING XXII

Careful build-up of factoring services

By ANTONY THORNCROFT

In the last few years all the major banks have added factoring to the services that they offer their business clients. So far it is not an attraction that they push particularly hard, but the history of the industry does not encourage rapid growth. Factoring has had its setbacks and the banks are probably wise in building up slowly, with carefully selected clients. If the time becomes ripe for substantial expansion they are better placed than anyone to enjoy the boom.

But there are probably still many companies that have only the vaguest idea of the services that a factor offers. To some extent this is the fault of the industry for there are some organisations calling themselves factors that are little more than invoice discounters. But at least ten factors operating in the U.K. offer the triple package which distinguishes this financial operation.

In essence the factor becomes the accounting service of a client, taking all the invoices and chasing up all the debts. A factor will also usually provide 100 per cent. insurance against bad debts. Finally most factors offer a cash flow facility, forwarding up to 80 per cent. of the cash that customers owe one of its clients as soon as it is sent an invoice.

Second place

There is an additional charge for this last service, usually 2 or 3 per cent. interest above base rate, and although for some clients this is the most attractive aspect of the factors operation in times of tight financial controls, in the current economic climate the cash element has taken second place to the service side of factoring. The cost of this depends upon the complexity of the business, and different factors might quote different rates according to their experience of the prospective clients' industry, but a normal fee for domestic factoring would range between 1 and 3 per cent. of gross turnover.

The bank which is most committed to factoring at the moment is the National Westminster which owns Credit Factoring. This company has had a slightly chequered history but in the last two years it has been completely overhauled and is now rivalling International Factors for dominant position. Credit has over 40 clients and factors around £40m. worth of business a year—which gives some indication of the annual turnover of the companies that can usefully employ a factor. International itself is still the leading British factor, and Lloyds holds a 75 per cent. stake in it—the remaining 25 per cent. belonging to the First National Bank of Boston.

The other two major clearing banks are less involved. The Midland rather surprised the industry this year by severing its link with Citibank (they both owned half of Midland-Citibank Factors) and joined forces with Shield, which began life in 1963, making it the second oldest factor after International. Shield is owned by a number of City interests including Rothschilds. At the moment Barclays stake is through the Factoring Division of Barclays Export and Finance, and is slowly finding its feet in the industry. In addition many American banks offer a factoring service in London.

The introduction of the banks should mean that factoring will finally make an impact on British business. To date it has never fulfilled the optimistic growth forecasts and turnover seems to have stuck at around the £200m. mark. This is partly because some companies have had unfortunate experiences with factors and do not like the idea of an outside operation acquiring so much knowledge and control over their finances, and partly because the losses suffered by certain factors in the early years have made them all cautious in signing up clients.

If you are seeking a factor because your company is in financial trouble or because you operate in an industry where customers are notoriously bad at paying up then the factor just is not interested. What factors are looking for is clients in a good steady light engineering or textile industry where debts are all for about the same sum, flow in regularly throughout the year, and come from customers that are reliable and well established.

There is a great deal of specialisation by factors both in industries and in size of clients they work for, and even companies with turnovers of less than £500,000 a year may be taken on if the factor believes that there is scope for expansion. At a certain level many companies believe that they can safely handle their accounting problems themselves but there are some public companies that use factors for part of their business, perhaps in certain overseas markets.

The other factors, who are usually owned by respectable City financial institutions, have generally welcomed the entry of the major banks. They offer assurance to an activity which has sometimes seemed slightly dubious; they have the resources to promote factoring and through their branches have a network of agents selling the idea throughout the country; and they have the cash to streamline the business.

Perhaps some of the slowness of the banks in selling factoring has been due to the difficulty of such large organisations putting their minds to what is still a very small industry but by letting separate companies get on with it most of the groundwork has now been laid and certain banks, especially the National Westminster, have already invested considerable sums. Credit Factoring, for example, has its own computer system which gives a daily up to the minute picture of clients' financial situations, and which can effectively cover overseas transactions as well.

New competitors

The factors that are not controlled by the big banks do not see their new competitors completely dominating the business. Many companies will be reluctant to let their own bank also control such an intimate activity as handling their accounts. They might prefer the service of a smaller, more independent, specialist factor. But in certain areas, and particularly in export factoring, the factors owned by the banks would seem to offer certain advantages. While other factors belong to the Factors Chain, a link of independent factors in most European countries, or to multinational organisations, like M and H Factors, the banks are forging reciprocal links with the really big foreign banks or, like Barclays, operate world wide on their own account.

Until now export and import business in factoring has been slow to grow and to-day only accounts for around 20 per cent. of the income of the top factors. But there has been real expansion since the U.K. entered the European Community and a service which takes the headaches out of exports has an obvious attraction for small companies entering this area for the first time. The factors offer the same services overseas as at home and some will actually vet, through their local contacts potential foreign customers of their clients.

By exporting through a factor a company can get on with the task of making things, or providing a service, with no worries about collecting the money it is owed irrespective of whether its customers are in Portsmouth or Paris. And, of course, it gets paid in sterling. Factors can also offer a shield against currency fluctuations. No wonder some factors report that export business has doubled in the last two years and there are predictions that, like continental factors, in time around half their turnover will be in goods or services moving across frontiers. In this expansion the banks will be particularly prominent because they can offer some kind of service in most foreign countries while the independent factors are active in the main trading nations. Of course a factor belonging to a bank with knowledge of the financial conditions and the credit worthiness of major customers in countries like Ceylon and Malaysia derives only a minor advantage but perhaps there are companies that would like their business factored in the less developed parts of the world although the charges here might be higher.

All in all the banks have moved slowly in the factoring industry but some, at least, are now so committed that their involvement must grow. But they will pick up new clients slowly and only if they feel the companies have real potential. Factoring will never be a paramount occupation of the major banks but it should become a useful service to both their own (and other banks) customers and, judging by some recent profit figures, quite a remunerative activity into the bargain.

Limitations of leasing

By JAY PALMER

In the short time that leasing has been around in Britain, it has grown—in terms of being a financing tool for industry—out of all proportion to the steady expansion of its market. Reliable statistics are unavailable for the early days of leasing but most experts consider that from a base of virtually nil in the mid-1960s, the cash price of current equipment out on lease now exceeds £700m., of which perhaps two-thirds of that has its origin in the member companies of the recently formed Equipment Leasing Association. What is more the ELA estimates that the annual purchases of capital equipment *by its members* only is currently running at around £200m.

That is, by almost any standards, a fairly impressive growth record to look back on. So what in fact is this new financing tool, why has it suddenly sprung into the major league and what are its disadvantages, advantages and future prospects? To answer the first of these questions is a good deal more difficult than one might assume. The term leasing has always avoided a precise definition by encompassing a whole spectrum of known financing tools.

Fostered mystic

In fact this deliberately fostered mystic of leasing has contributed, and probably still is contributing to a lot of the uneasiness that many potential customers feel. But the basic concept of leasing is an easy one; very simply it aims, in financing industry's capital expansion of all kinds, to separate the use of the asset from its ownership. Thus leasing is immediately separated from such parallel, financing concepts as hire-purchase or mortgages where the user will also hold an (eventual) title to the asset in question.

A lease, however, is simply a means of financing the use (rather than the ownership) of the asset, and in its case the title to the asset never passes on but remains in the hands of the financing agency, called the leasor. However, the user of the asset, called the leasee has the full use of the asset during the period of the contract. The leasee chooses the asset to his specific needs with the leasor only coming into the arrangement as a financier much in the same way that the financing department of a large company may only be called into the purchase of equipment to find the funds.

It is this selection of the asset by the leasee that distinguishes leasing from hiring. Within the leasing scene itself there are generally two broad categories of leases—those known as finance leases and those known as operating leases. Whereas a finance lease involves the agreed rental calculated to totally amortise the capital outlay by the leasor and give a profit, an operating lease is where the asset is not wholly amortised and the leasor does not depend on his profit for the rental collected during the non-cancellable period of the lease.

Continued on next page

Worrying times for building societies

By MICHAEL CASSELL

Events of the past few weeks have made it inevitable that current developments within the building society movement must be considered an important part of any examination of the U.K. banking scene.

Opinion as to whether recent decisions by the banks have been responsible for the movement's present difficulties vary considerably but it is undeniably the case that societies are being forced to examine their future role in the light of fundamental changes in their operating environment.

The current process of self-examination dates back to Competition and Credit Control, the Bank of England policy document first released in 1971 and designed to allow free competition between financial institutions in terms of attracting and lending money. The possible dangers for some fixed interest movements were appreciated and even provided for in the Green Paper. The now well-quoted Clause 15 read: The greater freedom afforded to banks by the proposals might lead them to compete for individuals' savings at present invested in public sector debt or in the finance of housing. The impact of such competition on savings banks and building societies would need careful consideration and the Bank of England would wish to discuss the matter with the banks. It might be that a need would be recognised, for example, to observe some limits on the terms offered for savings deposits.

Far from clear

"The need for such limits would be open to reconsideration in the light of changed circumstances."

It is, therefore, very understandable that society representatives have now told the Government that the time has come for the implementation of this clause, although how that can be done is far from clear.

In talks with Treasury representatives, leaders of the Building Societies Association have pointed out that Bank of England action to raise interest rates in defence of the pound and subsequent moves by the clearing banks have placed societies in an unenviable position. While in July net receipts for the movement as a whole reached record levels, provisional figures have shown that August receipts will be less than half the level of the previous month. Even taking into account the fact that August is a seasonally bad month for savings, societies say the worrying drop in inflow cannot be entirely accounted for by this factor. The situation, they claim, is a direct result of bank competition and the prospects do not appear bright.

Banks' rate

Banks, however, have been equally anxious to point out that the 9.5 per cent. deposit rate they now offer was deliberately set below the 9.64 per cent. offered by societies. Who, they ask, is going to remove money from building societies because banks are now providing a less inferior interest rate than before?

They may have a point, but the situation with new money is certainly not so certain. Societies have been used to operating with a traditional margin of 2 per cent. or even 3 per cent. over other savings media, and they say there is evidence that the virtual disappearance of the differential—although it remains fractionally in their favour—is already costing them dearly.

The message left with Treasury officials at the end of last month was quite simple: As long as societies are forced to compete for savings against institutions offering record interest rates, then the rate charged for money lent out—that is mortgages—would have to be correspondingly high. A not inconsiderable number of society leaders have publicly aired their annoyance at finding the movement's ability to provide house finance seriously impaired by international developments, a view echoed by certain members of Parliament.

However, the Government's priorities in recent months have changed. Earlier this year, when it appeared that societies would have to raise the mortgage rate to 10 per cent. for the first time, 11th-hour intervention by the Government saw the provision of a £15m. special grant to protect borrowers from such a politically emotive level.

The decision was not, however, greeted with the unanimous acclaim that the government might have hoped for. In fact, criticism was severe and any further intervention on similar lines has now been entirely discounted.

The mortgage rate has since been allowed to rise to 10 per cent. and there appears to be no rush on the part of the government to prevent it from rising to possibly 11 per cent. at the end of this week. It is not that the prospect of even higher mortgage rates are considered unimportant, simply that wider considerations now have to be taken into account.

There is, however, no doubt that if action to prevent a higher mortgage rate is not taken this week, some government move to provide a more stable supply of building society finance in future can be expected before long. Societies have their opposition to any such scheme well rehearsed and claim that it would quite simply prove impractical. There have been few enough times when enough surplus money to begin a stabilisation fund has been available and who, they say, decides when lending must be stopped so that funds can be set on one side for future use?

In the past, societies have claimed that the volume of liquid funds held at all times represent just such a stabilisation facility, although now some of them feel there is a good case for allowing their fairly substantial liquidity levels to be reduced to a greater degree than has been accepted in the past, even if a change in the law becomes necessary.

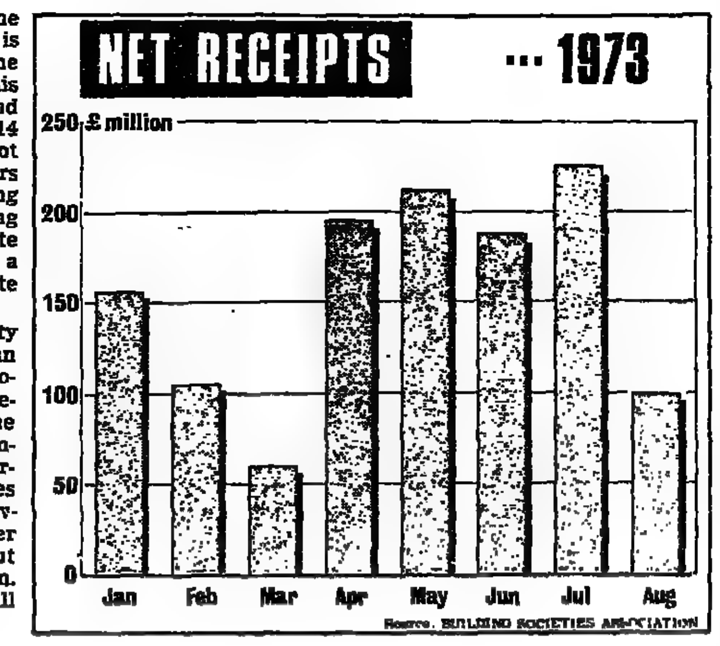
At one stage, it certainly looked as though the Government had been won over by their arguments but the idea is now clearly far from dead and there could even be the chance of some provision of State finance to get the fund started.

Whatever the eventual outcome, societies must now accept the fact that they will never again be able to operate in quite the same way. Their influence has outgrown their ability to remain totally independent and the least they can expect in future is a system of much closer liaison with government, not on the basis of a series of increasingly regular emergency meetings, the pattern which has emerged in recent months.

The short-term repercussions of the latest situation are certainly not very palatable for the prospective house buyer. Encouraged to buy his own home by government and building societies alike and anxious to take advantage of what has proved to the best investment he can make, he now finds a very different reaction over the building society counter.

Such is the availability of funds, that societies have been forced to introduce widespread mortgage rationing. The Alliance, for example, is reducing by 20 per cent. the money available for lending this month while the Leek and Westbourne—home of the 14 per cent. mortgage—is not making any new mortgage offers until after the next Building Societies Association meeting on September 14, the date when most people expect a further rise in mortgage rate to be announced.

But in the building society world to-day, circumstances can now change overnight. To-morrow, leaders of the movement once again go to the Treasury, this time at the Chancellor's request to discuss interest rates. Last week, the societies were not hopeful that any government action to avoid a higher rate would be forthcoming but anything could still happen. Four million borrowers will hope something does.



CONTINUED FROM PREVIOUS PAGE

Limitations of leasing

but rather looks to the later stages.

But if the definition of leasing is perhaps slightly technical and hard to define exactly, the origins of the boom in it are even harder to pin down. Most people seem to feel that leasing, as we know it in this country, originated in America. Crossing the Atlantic in the late 1950s and early 1960s, it never really amounted to much as a financing tool until the credit restrictions of the Labour Government in the mid-1960s focused attention that way.

The point was that the Labour Government set ceiling limts on bank borrowings but failed, deliberately or accidentally, to include leasing within the limitations. With much of industry facing a cash drought, this gave leasing a boost that kept it going for some time. But there has been one further development of significance since then that has again helped leasing. This was the Government's switch to 100 per cent. (or "free") first year depreciation—a move which was undoubtedly very unpopular in the leasing industry at the time but nevertheless may in time still prove a blessing.

The switch away from staggered depreciation coincided with the Government's plans for a new form of Corporation Tax. Since this basically lifted the levy from 40 to 50 per cent., many leasing companies saw that while they were going to have to (and indeed had in the past) taken all their tax reducing investment allowances at the lower rate of tax, future rentals were going to have to bear the higher rate. Now this made a mockery of the leasing companies' contracts previously designed to produce profits—now they were going to slide into the red.

Their point was a valid one but all the same the move to free depreciation opened a whole new, previously unavailable, vista for future expansion. Very simply, the point was that even the leasing companies' parents were unable to swallow the allowances gained through leasing in any one year and discounted cash flow calculations showed the disadvantages of carrying the allowances forward.

Brokerage basis

In order to continue existing as leasors, this forced them to look around for some answer—and they found it. And it was very simple; once the allowances gained had swallowed up either all that year's tax bill or as much of it as the parent thought politic, future deals would be done on a brokerage basis. Thus any tax-liable company in any field whatsoever could set up a *wholly-owned* leasing subsidiary to which—in return for a fee—the traditional leasor would pass new allowance carrying business. Thus our industrial company could substitute surplus cash for a lower tax bill and future rental income.

And the allowance game was an attractive one from the point of view of the leasee as well. The point was that although a company making capital investments can gain allowances against tax, they have little value if either the profits are too low to make full use of the allowances or if losses are being made. Through leasing operations, the allowances can be passed on to where they can do some good with the leasee getting some advantage in the form of lower rentals. And the Government does not seem to object working as it does on the theory of not caring where the allowances end up as long as their existence stimulates either U.K. capital investment or U.K. export sales.

But that is only one advantage of leasing. Perhaps most obviously leasing avoids the need to tie up either capital or available credit lines in fixed assets. It enables proposed investments to be budgeted exactly against the fixed and pre-known rentals which also provide a hedge against inflation with the real costs falling over the years.

Legal contracts

Furthermore existing leases are legal contracts which cannot be altered, curtailed or withdrawn in the event of changing economic conditions and, of course, the rentals themselves are a wholly allowable expense against Corporation Tax. Finally, leasing is a highly flexible financing tool which can be moulded and tailor-made to fit an individual leasee's requirements. Thus leases can be of varied time lengths with the repayment patterns weighted to either projected cash flow or seasonal fluctuations. The contracts can be drawn up to include residual values, obsolescence, front-end or rear-end loading and so on.

But just how long leasing will be able to remain this flexible is a moot matter. It was pointed out that the base rate hikes at the beginning of August put further pressures on the leasing companies existing contracts and that this, combined with the existing pressures from the switch in the Corporation Tax rate, could drop many contracts into the red. With these sorts of developments and currency rates also shifting all over the shop, the day of the fixed rental contract could be doomed.

And what for the future of leasing? Well with Europe proving perhaps uninviting in comparison with the continuing growth prospects in the U.K. (and in any case complicated by the local fiscal and legal variations) there are really two important points.

First, with the capital investments required becoming larger every day, there is the question of whether or not any leasor can afford to continue going it alone. The answer could be for one enterprising company to set up a consortium of leasing houses in much the same way as the insurance companies.

Secondly, there is the question of sheer risk. Again with the sums involved becoming larger and insurance policies having to leave certain loopholes wide open, there would seem to be a valid argument for the creation of a re-leasing market. Until these possibilities are explored in some depth, the limitations on leasing are likely to remain.

How to choose an international bank.

As you know, even the most basic business activities take on a certain complexity overseas.

An international bank, particularly the right one, can help.

In fact, it can perform in ways even the most imaginative businessmen may not realize.

But which international bank.

The problem is this: in many ways the great international banks are more alike than they are different.

They each maintain branches and offices around the world.

They each offer a full range of services, including many that banks less deeply committed to international banking do not.

They each have extensive knowledge of the intricacies, hazards, and opportunities of business in every corner of the world.

The difference: a matter of style.

These capabilities are the fundamentals of international banking. The great international banks perform them. The others, the routine international banks, do not.

But the difference between the great banks is more subtle. And if they are *alike* in *what* they do, you must look for differences in *how* they do what they do.

These differences grow out of differences in management philosophy. And as in any business, they are critical.

To choose the right international bank, you must choose the management philosophy that makes sense to you, the one that fits your style of doing business.

The competitive edge.

At The First, we can explain our management philosophy quickly and simply because this is the way we do business.

It's based on the recognition of two realities.

First, we consider international operations to be the most competitive aspect of business because only the most aggressive and certain managers extend their business, and risk, to international markets.

Second, only the greatest banks have the resources to compete and win in the international arena.

To serve the international businessman, and serve him better than our competitors, we have shaped our own management philosophy and style to a competitive edge.

Is our style, your style?

You can begin to choose an international bank by asking yourself a few questions.

Start with an easy one.

1. Does it seem to make sense to deal one-to-one with your bank's loaning officer?

The way some banks are organized, they apparently feel they need to rely on a loan committee for decisions. We don't. We want to move faster. Simpler.

We think the right loan makes sense to you and to us. And the way to find it fast is to let the loan officer work it out face to face with you.

Is time important?

Our overseas loan officers usually have a higher lending limit than the competition. The man you work with will probably have the authority to make his own deal. This means you are more likely to get a quick response to financial requests.

Our policy is: Forget the red tape, let's use common sense.

2. When you're making a decision, do you like to consider alternatives?

The best minds we deal with like to look at alternatives. And we think it makes sense.

Getting the best financial package must include looking at all the options. Perhaps what you need is our fast-growing International Leasing Corporation whose specialists are located right where the foreign investment action is—New York, London, Toronto, and Chicago. Or maybe you could use the specialized assistance of our London Merchant Bank. You might even find you can use several of our subsidiaries.

But, because our international organization is lean and compact, we are in the habit of looking outside of our own resources, too. We work with any strong local bank. And all of the great banks of the world. The result: we scout out more ideas.

3. Are you interested in new ideas?

We certainly are.

Time and again, we are able to compete for, and win a piece of business by showing a prospective customer an idea that is different.

Example: Now that East-West trade restrictions are relaxing on both sides, the government is encouraging U.S. corporations to take advantage of Eastern Europe's potentially huge market. We are the first bank involved with Exim financing arrangements with Poland and we have set up pipelines for future trade with other East Bloc countries.

The differences in international banking may be small. Which means we must look harder to find them. But even a small difference can make a big difference. Now, and in the future.

4. Do you think an international banker should be a tour guide?

We don't.

Granted he must know the economic climate of the area, government restrictions and the conventions of local business. Getting the maximum tax credits and exchange rates are often so complex, he needs vast banking experience. He must know how to build a favorable financial package for you, often with terms beyond the norm. That means experience in joint work with the EximBank, F.C.I.A., and P.E.F.C.O., The Private Export Funding Corporation which we were active in forming. And enough other information to fill a guide book.

But first of all, he must be a banker.

We feel our men overseas, man for man, have more basic American banking experience than our competitors. This explains why they are freer to use their own judgment and can act faster than other international bankers.

5. Do you want your international bank to be competitive?

If there is an edge to be found, we believe it should be put to work for you. We never hesitate to compete.

For example, we were the first American bank to start a wholly-owned merchant bank from scratch in the city of London. Competing with the great historic merchant banks right on their own doorstep gives one a certain confidence. It also gives the flexibility to handle Euro Commercial Paper and Euro Bonds for overseas corporations.

And proves to us again that the right idea, and the courage to pursue it, is worth several imitative ones.

The freedom to compete.

Overseas we are able to operate in this direct and pragmatic way because we have complete control of our offices and branches. This gives us the authority and flexibility to operate in our own very responsive and competitive style. It gives you the advantage of prompt action and a lasting commitment without the delays and restrictions often imposed by partners.

We have another edge because most of our international managers have experience in our domestic lending operation. Many of the Nationals running our overseas business are trained here, also. We know how they perform, and how they implement our competitive philosophy.

The results: growth tells the story.

This aggressive posture seems to work. Since 1967, we have opened 24 new branches and offices overseas. The growth of our loan volume in that period is a startling 527%. (And having seen what a competitive effort can accomplish, we have no intention of easing off).

The company you keep.

This growth comes from both foreign and domestic companies, from the largest companies in America to those outside the Fortune 500.

One of our oldest clients, a heavy construction equipment manufacturer, was perhaps the first great American multi-national company; among the newest is a foreign manufacturer of rotary engine automobiles.

Our growth in loans, and other services, is, we think, the result of two facts.

Back to basics.

First, we can do anything any international bank can do.

And second, we intend to do it faster or better or more certainly, because we are managed and organized to compete.

If you intend to compete, we think alike.

First Chicago

You compete. We compete.

The First National Bank of Chicago, Member F.D.I.C., is a subsidiary of First Chicago Corporation, and has installations in Amsterdam, Athens, Beirut, Brussels, Dublin, Düsseldorf, Frankfurt, Geneva, Jakarta, Kingston, London, Madrid, Mexico City, Milan, Nairobi, Panama City, Paris, Rome, São Paulo, Singapore, Stockholm, Sydney, Tokyo and Toronto. In New York: First Chicago International Banking Corporation. First Chicago International, Los Angeles. First Chicago Leasing Corporation; installations in Chicago, New York, London and Toronto.

ECONOMIC VIEWPOINT

BY SAMUEL BRITTAN

When the witch doctors disagree

N THE PREFACE to his *General Theory* of 1936, Keynes referred to the "deep divergencies of opinion between fellow economists which have for the time being almost destroyed the practical influence of economic theory, and will, until they are resolved, continue to do so." We are once again in a similar state, not in relation to the whole of economics, but to that part of the subject (which is much smaller than most people think) relating to immediate issues of Treasury policy.

Consider the present spectrum of opinion. At one end, bodies such as the National Institute believe that the boom will cool off on its own accord and that the Government should concentrate entirely on incomes policy. At the other end, Wynne Godley and Francis Cripps of the Cambridge Economic Policy Group, whose views normally appear in The Times, argue that unless severe emergency measures are introduced without delay, we could end up with no reserves, large debts, and a most unpleasant devaluation package" leading to "unemployment more severe than we have encountered since the war."

The suggested preventive measures include drastic public expenditure curbs, the reintroduction of hire purchase restrictions and direct controls on bank lending, an increase in Corporation Tax and (in default of general payroll subsidies) import controls to cut £500m. off the imports bill. With fully qualified professionals in such disarray, it is impossible to give an assessment that can claim to be any more than a personal opinion with some spectator-stand experience behind it.

The fundamental mistake, it seems to me, of the present-day "expansionist" school is to equate output with demand. When there are large reserves of unused capacity and labour this is a reasonable simplification, as an increase in demand is likely to call forth an equivalent increase in output. But once the economy is fully or more than fully employed, as it is at present, further increases in demand can no longer have this effect. An excess of demand over potential output can then reveal itself in several different ways, one of which is a payments deficit.

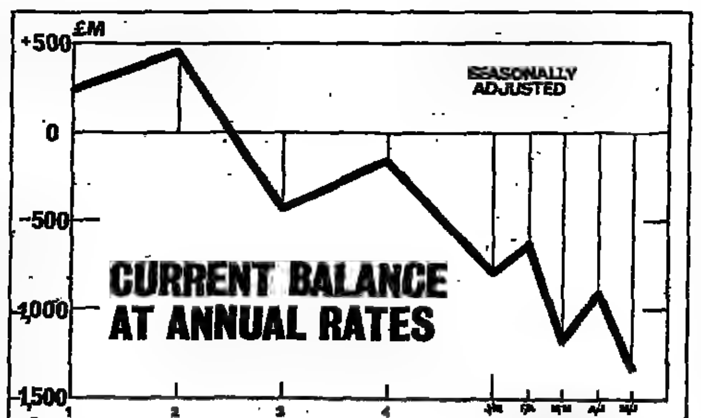
Bottlenecks

In the past, excess demand has usually shown itself in an upsurge in import volume. This has not been entirely absent. But the main effect of excess demand so far this year has been to hold back exports through supply bottlenecks, at a time of booming world trade when British exports are both highly price-competitive and very profitable.

Although I disagree strongly with some of their recommendations, Godley and Cripps have provided much the most thoughtful of the offerings now before the public, precisely because they have paid attention to these fundamentals and not merely thrown a set of forecasts at the public. The starting point of the Godley-Cripps analysis goes back to a truism which Professor Harry Johnson enunciated as early as 1956*: A deficit in the "flow" of current overseas payments is, in Johnson's words, equal "to the difference between the value of the country's output (its national income) and its total expenditure." If the economy is already at least fully employed, a deficit of £1,300m. per annum (which we are now running) cannot be corrected without a reduction of expenditure in relation to output of a comparable size.

This is admittedly a blinding revelation of the obvious, but it is still not taken into account explicitly by the great bulk of professional forecasters and commentators. How else can one explain the failure to emphasise that a fall or levelling out of import prices—from which so much is expected on the balance of payments front—will increase consumer spending by a corresponding amount, and do little to remove the excess demand which is at the root of the trouble?

As for incomes policy, it cannot possibly serve as an instrument for limiting demand if—as its foremost advocates insist—wage curbs are paralleled by at least equal curbs on the prices side. Its strongest supporters, such as the National Institute, see it as a weapon for acting on costs. (One must add that some absurdly exaggerated estimates of its potency, even in this direction, have recently been put into circulation.)



The required reduction in the ratio of expenditure to output could, in principle, come about through an increase in the personal or corporate savings rate (*after* providing for capital investment). Failing such a change in the private sector, the elimination of the deficit requires a very large cut in the public sector deficit.

It is difficult to see why the personal savings rate should rise except in the context of a complete collapse of the housing market which the Government would rightly wish to avoid. As far as the corporate sector is concerned, the main rise in profits which could provide extra savings, has probably taken place already; and from now on a very rapid rise in capital spending—which it would be undesirable to do more than moderate—will absorb a great deal of the cash flow. There is on this view little escape from acting directly on Government spending or taxes.

The Godley-Cripps analysis suggests that if this is not done, we might for a time be able to finance the deficit from the reserves or by borrowing; but eventually we would face a collapse in the exchange rate leading to a more rapid wage push and a still further fall in the exchange rate, thus leading to a runaway inflation and exchange rate depreciation of Latin-American proportions.

Strictly speaking, such a spiral could not take place if a firm limit were placed on the rate of growth of the money supply. But in the present context this is a pedantic quibble. In the first place, we know how unlikely such monetary limits are unless there is a dramatic change of philosophy in high places. Secondly, to rely on monetary policy alone, without action on the Budget deficit, would involve a steep further rise in *real* interest rates—a very one-sided form of deflation, which could knock industrial investment as well as home-building and lead to widespread bankruptcies of otherwise profitable enterprises.

Even if the deficit is cut, we will still need a firm monetary policy to make the fiscal curbs stick, but the effect of such a policy on interest rates will be less severe.

Public sector spending, especially on building and construction, is well below target because of supply bottlenecks and delays. But it is fallacious to suppose that this mitigates the need to cut *planned* expenditure. For if the contracts are placed and not fulfilled, *attempted* spending will still be too high and the demand pressures are still likely to spill over into the balance of payments. There is therefore excellent sense in the "Cambridge" proposal for an immediate moratorium on new public sector contracts and other curbs designed to reduce government spending by £600m.

Credit market

The further suggestion of a return of HP limits and overdraft ceilings is, however, objectionable. Not only would this involve throwing away all the gains of a more competitive and less cartelised credit market for what is admitted to be a very short term effect; but there is every reason to believe that such controls would leak badly. The big change since they were last in operation has been the vast proliferation of financial institutions and secondary markets. The move away from direct controls was due not to free market doctrine, but to experience of their ineffectiveness as a substitute for overall control of the money supply.

My personal preference is for taking the bull by the horns and raising the standard rate of income tax. Under the new system each 1p increase would yield £240m. An important advantage of this route is that enough could be raised to leave something over for increases in family allowances and pensions. The whole package could then be fairly presented as a way of helping those hardest hit by high food and home prices while taking in a little extra to "help the economy." But in the most severely practical terms, it is doubtful if announcements of public expenditure curbs (which we have had in the past) would carry much conviction in *financial markets* in the absence of action on the tax side.

With a sufficient cut in the public sector deficit, backed by control of the money supply, the excess of domestic expediture over output would be eliminated and a necessary condition for payments balance fulfilled. The fear of the Cambridge authors is that this would not be sufficient; or in crude terms, that the "hole" made in the economy by the curbs on home demand would not be met by increased exports or import-saving.

In opposition to this view, I find it very difficult to believe that the recent *effective* devaluation of not far short of 20 per cent. (much higher than that of either 1949 or 1967) would fail to put the balance of payments right, if home demand were under control and supplies readily available. The once-chronic U.S. payment deficit and Japanese surplus are already disappearing under the influence of appropriate financial and exchange rate policies. Is one to believe that the U.K. is a unique exception to the rules which apply to other countries? The main Godley-Cripps argument for this suspicion is the continued rapid drop in the U.K. share of world trade in manufactures in the first half of 1973—a period, when as they themselves stress, the economy was suffering from "overheating" and severe supply constraints.

The price

If the adjustment to a new balance between home and overseas demand requires a short period of statistically measured "growth" slower than is theoretically possible, this is a price I would willingly pay. A spurious "expansion" based on forcing consumers to buy products heavily protected from foreign competition is the worst possible recipe for long term "growth" in any worthwhile meaning of that overworked term. If one accepts the ultra-pessimistic view of Britain's ability to compete overseas at any politically feasible exchange rate, then it is difficult to see how import controls could ever be removed. One cannot assert that normal fiscal and monetary remedies have failed when they have not even been tried.

* *"Towards a General Theory of the Balance of Payments" reprinted in 'Readings in International Economics' (ed. Caves and Johnson) Allen and Unwin 1968.*

Labour News

Union official will fight dismissal

BY ROY ROGERS, LABOUR CORRESPONDENT

MR. MARK YOUNG, the deposed Electrical and Plumbing Trades Union national officer, is to seek legal advice on his union executive's decision not to re-appoint him.

In addition, he is expected to discuss the issue with other ETU officials for whom he acted as shop steward in a campaign to negotiate contracts of employment with the executive.

Mr. Young, who has just returned from a holiday, said that before going away he had received a letter from Mr. Frank Chapple, EPTU president, telling him of the executive's decision and giving him seven days' notice. He claimed no grounds were given for his dismissal which had robbed him of his livelihood.

A consistent critic of the union's leadership, Mr. Young was runner-up to Mr. Chapple in the presidential election last year. He will be one of the main contenders for the general secretaryship, formerly held by Mr. Chapple, when and if it is put to ballot.

Mr. Chapple and his executive are reluctant to put the general secretaryship to ballot. They claim that an additional elected national official (especially one opposed to amalgamation like Mr. Young) could only hinder merger talks taking place with the Amalgamated Union of Engineering Workers and the General and Municipal Workers' Union.

Opponents of Mr. Chapple interpret this as fear of their standing a good chance in any election for the post. Similarly, they see Mr. Young's dismissal as a move to weaken his chances in an election.

Competition for bank staff membership

A CALL for the National Union of Bank Employees to start merger talks with staff associations in the clearing banks was issued over the week-end by the union's South Wales area council.

This follows the announcement of the plan for the Association of Scientific, Technical and Managerial Staffs to move into the clearing bank field by merging with the Midland Bank Staff Association.

Such a merger would amount to ASTMS invading NUBE's territory and was described by NUBE's South Wales council as a "retrograde step" which could enlarge weakening divisions between bank staff organisations.

The call for NUBE to open talks with staff associations will go to the next meeting of the union's national executive.

The ASTMS-Midland merger plan was backed over the week-end by ASTMS national executive which also received reports that some NUBE members in the Midland Bank had approached ASTMS officers about switching their membership.

Meanwhile, a pay claim covering more than 5,000 mank messengers in Barclays, Lloyds, Midland and Williams and Glyns banks is being lodged next week to give them a £1,767 per annum salary at the age of 18. The present basic salary for a messenger in the clearing banks is £1,188 after one year's service plus a £30 per annum increment every five years.

Views differ on rail pay talks progress

CONFLICTING VIEWS on the progress of talks on a new pay structure for 260,000 British Rail workers emerged over the week-end.

Mr. Sidney Weighell, senior assistant general secretary, of the National Union of Railwaymen, told a railmen's conference in Scotland yesterday that the talks were in their "final stage," and he hoped for agreement within two weeks so that the proposed deal could go before the Pay Board for approval.

Meanwhile, the Associated Society of Locomotive Engineers and Firemen is seeking improvements on the latest BR offer—which would give drivers up to an extra £6.20 a week over the next few years—and is warning of possible industrial action.

To-day the ASLEF executive meets to consider demands from branches for official industrial action to support a claim for a £7-a-week increase on the £33-a-week minimum driver's rate, under the restructuring.

A further meeting of the rail drivers' pay structure working party is scheduled for later this week and BR has agreed that any outstanding differences should then go before the railway staff national council in the industry's final stage of procedure, probably next month.

Giving details of what is on offer, Mr. Weighell said yesterday that the plan involved phasing out all bonus and mileage payments by January, 1976, with compensatory wage increases of between £1.55 and £2.65 a week.

Increased pay as "reward" for changes including the introduction of high-speed trains would be in the order of £1.50 a week for drivers, and similar amounts for other rail trades.

Shift allowances based on existing rates would produce payments of between 80p and £2.25 a week (4 to 6 per cent.) with more increases when wage rates changed, said Mr. Weighell.

In addition, partial white collar status would apply to railmen with 15 years' service and would be introduced in stages by 1976.

Minister replies to food price critics

SIR GEOFFREY HOWE, Minister for Trade and Consumer Affairs, yesterday rebuked Government critics by saying it would cost £1,400m. a year to roll back all food prices to the levels of 12 months ago. He also rejected suggestions that the Price Commission was a rubber stamp body.

"Less than a third of applications have been allowed in full," he said in a statement to his Reigate, Surrey, constituents. "The remainder have been either rejected, withdrawn or reduced.

"Almost 600 voluntary price reductions have been secured as a result of spot checks.

"The Price Commission has achieved very substantial savings for consumers in preventing price increases and securing reductions."

One of the achievements of the last three years had been to lift the economy out of the groove of low growth, low profit and low investment and set it on a new growth path. Such a major change could not be achieved without difficulty. Yet the "fainthearted and fearful" were faltering at the first signs of stress.

The TUC had suggested that £300m. could be devoted to subsidising food.

If that sum were spent solely to reduce the price of meat, and there would be many difficulties in doing so, it would serve only to remove just 60 per cent. of the rise in the price of meat that had taken place in the last 12 months.

The Government had more than once considered suggestions that prices problems — for example with beef or lamb — could be solved by banning exports or unlocking cold stores.

Suggestions that release of cold store meat stocks would significantly influence the price of meat were misleading. Present stocks of frozen meat were not unusually high—"below the more normal 1971 figure of 90,000 tons and no larger than prudence would suggest."

Cattle and beef exports to the Continent represented only 7 per cent. of Britain's total supplies. The Committee on Beef Prices appointed earlier this year, made clear that banning exports was not a solution.

These facts had persuaded the Government to take the strongest measures possible to control prices within Britain. This was why they introduced the Prices Code and established the Price Commission.

New exchange rates 'may aid equilibrium'

BY IAN DAVIDSON

THE EXCHANGE rate changes of recent years are likely to bring about some lessening of the balance of payments disequilibria during 1973, according to the annual report of the International Monetary Fund, but a substantial measure of readjustment is not to be expected before next year.

The report shows that official reserve holdings of all member countries reached 144,600m. Special Drawing Rights (SDR)—an increase of 91 per cent. since the end of 1969, and a rise of 23,100m. SDR since the end of 1971. (One SDR equals one pre-Smithsonian dollar.)

Most of the 1972 increase was in the form of foreign exchange (20,600m. SDR), and the report notes that there was a particularly rapid rise in currency holdings other than official dollar assets — including Eurodollars and Deutschemarks.

The fastest growth of reserves was in the developing world, where oil producing countries showed a gain of 29 per cent. and other developing countries a gain of 36 per cent. This was in contrast with 1971, when the developed countries gained 80 per cent. of the global reserve increase.

As a result, reserve holdings of the industrial countries (other than the U.S.) declined last year as a proportion of world reserves from 63 to 59 per cent.

Globally, the world now has too much reserve liquidity, the report notes, although the excess is concentrated in a minority of countries. The report estimates this excess—which it defines as any amount over and above the equivalent of six months' imports—at around 30,000m. SDR as of the end of February this year.

Over half this excess, however, can be ascribed to four developed countries—Australia, Germany, Japan and Switzerland. Almost a quarter is accounted for by five oil producers—Iraq, Kuwait, Libya, Saudi Arabia and Venezuela. The remaining quarter is attributed to 16 countries, including Brazil, Portugal and Spain. The other 40 countries in the 65-country sample were not found to have a surplus of reserves.

The report emphasises the difficulties faced by developing countries as a result of the international currency disturbances. The March realignment brought about an average depreciation of the currencies of the developing countries against those of the industrialised countries of about 2 per cent. It also produced a fall in the real value of their external debt, but only by 1½-2 per cent. They are, moreover, less well equipped to deal with the uncertainties created by exchange rate flexibility.

Editorial comment, Page 12

Talks over new register for engineers

THE DEPARTMENT of Trade and Industry and the Society of Engineers are holding talks to end the deadlock over the new engineers' register, which many fear will reduce them to "second class citizenship" with serious loss of earnings.

The controversy, which is splitting the engineering profession, centres around the Registration Board launched by the Council of Engineering Institutions. This divides engineers into chartered and technician grades.

The society said over the week-end that it was seeking the reason for ignoring a directive given 2½ years ago by Mr. John Davies, then Secretary for Trade and Industry, urging them to prepare a scheme to admit suitably qualified engineers who were members of other institutions outside the amalgamation of 15 chartered bodies.

Bid to resolve Raleigh strike

TALKS ARE to start to-day in an effort to resolve the strike by 250 cycle workers at Raleigh Industries, Nottingham, which has led to 500 workers being laid off. If the talks fail, more will be laid off within the next few days.

Hopes of a settlement increased after week-end talks between union representatives and the East Midland Engineering Employers' Federation.

Special sale at Tattersalls

BY MICHAEL DONNE

TATTERSALLS WILL hold a special sale at Newmarket on the evening of Saturday, December 1, before the opening of the December sales on the following Monday, for a draft of 30 American-bred fillies, all with winning form. The sale is expected to fetch high prices.

Many of the fillies, all aged three or four, are closely related to outstanding sires, dams and performers in America, Europe and Japan.

They are being prepared for sale by Mr. L. Clay Camp at his Glenmore Farm at Keswick, Virginia, and will be flown to England about ten days before the Newmarket sale. On arrival they will be available for inspection at Tattersalls' Park Paddocks, Newmarket.

A brochure containing full details of their pedigrees and performances will be published shortly.

Mr. Michael Watt, one of the partners in Tattersalls, said over the week-end that many of the fillies had good winning form, and, while they were all American-bred, most of them stemmed from well-known British female lines.

The consignment includes fillies closely related to such horses as Noncalco, Dahlia, Buckpasser, Hindostan, Pardao, King Emperor, Alycidon, Upper Case, Run the Gauntlet, Amber Rama, Typecast and Gay Style.

Three of the fillies in the sale have in their pedigrees La Troienne, the outstanding brood mare from which many classic and stakes winners have stemmed.

COMPANY NEWS + COMMENT

Staplegreen to maintain growth rate

IN HIS ANNUAL report Mr. F. L. Perkins, chairman of Staplegreen Insurance Holdings, sounds a note of confidence about the various group activities and says that he is sure the recent growth rate will be maintained.

Proposals are also announced for a two-for-one scrip issue.

In the year ended March 31, 1973, the group was laying the foundations of a "strong and expansionist policy" and the practical results are reflected in a 21.7 per cent. increase in pre-tax profits to £2.46m.

"We are now ready for the next stage in our development," declares the chairman. New activities may be expected to produce encouraging results in 1973-74, and these will be supplemented partly by organic growth and partly by widening the group's activities by investment and acquisition.

A stake has recently been taken in an international company which provides services for the North Sea oil industry and elsewhere.

At the end of 1972-73 the group was reorganised into five divisions. This reflects the spread of interests and will lead to greater operational efficiency.

One of the main achievements of the year, says the chairman, was the striking increase in profitability of Hogg Robinson and Gardner Mountain (U.K.). He is confident this company will be even more profitable in the current year.

Regarding the insurance broking interests as a whole Mr. Perkins is sure that new growth records will be achieved in the next few years.

The overall position of the overseas companies during the year has been one of steady progress and consolidation.

Meeting 14.20 St. Mary Ave, EC, October 1 at 12.15 p.m.

● comment

Down by more than 30 per cent. up to the preliminary figures stage, the Staplegreen share price has since lost a further few pence to its current 276p where the p/e is 11.3 (well below the sector norm). The report, apart from being generally optimistic in tone, offers one or two encouraging factors: the most significant probably being the drop in the expense ratio on the broking side from 91 per cent. to 88½ per cent. In addition, there is a net worth of roughly 157.5p a share. However, given the high proportion of underwriting income—almost 45 per cent. of total pre-tax profits—and the warnings from Lloyd's about this side of the business for the 1972-1973 accounts, the market's judgment is understandable.

HIGHLIGHTS

A thin week-end for company items left the reports from **Illingworth Morris** and **Staplegreen** as the main features, with Lex taking a look at the construction industry. However, the City can look forward to a rather busier week ahead, starting off to-day with the third quarter results from **Lonrho**. To-morrow should see the prelim from **Plessey** and the interims from **Bovis** and **Richard Costain**. Wednesday continues busy, with half-year statements from **Guardian Royal Exchange**, **Thomas Tilling** and **Tube Investments**. Other interims of note are **Wilkinson Sword** and **Lead Industries** (Thursday) and **Pearson Longman** and **Lex Service** (Friday).

Illingworth Morris ahead

WORSTED SPINNERS and manufacturers, Illingworth Morris and Company expects "at least some improvement over last year's extraordinary good figures" for the current year, says the chairman, Mr. M. Ostrer.

He reports that world demand for wool products is still buoyant, and current profits show a definite increase over those of the first few months of the previous year.

The directors are again looking forward to a "considerable expansion" in business.

As known group pre-tax profit for the year to March 31, 1973, was £4.65m. (£1.38m.). A one-for-five scrip issue is proposed.

The directors are contemplating redevelopment of the company's considerable surplus properties—realisation of some may be acceptable. The U.K. freehold land and buildings are being revalued.

Meeting, Shipley, October 2, noon.

● comment

Illingworth Morris "A" shares have dropped 25 per cent. since the June preliminary statement and are over a third down on the 1973 "high"; at the current level, the multiple is under 9. Whether or not the market is taking the view that the results are exceptional as a result of the spiralling wool price—the effect on any stock profits is unquantified—is not known. But what is certain is that the group is heavily borrowed due to funding the acquisition programme — overdrafts of £23.5m. compare with shareholders' funds of £18.2m.—and interest charges over last year increased by £0.8m., with the prospect of a far higher bill in 1973-74. At the current level, with some rationalisation to come, an optimistic outlook by the chairman and a property revaluation coming up, the downside looks minimal.

£7m. sales for Cray Electronics

PROSPECTS for all divisions of Cray Electronics look good, says chairman Mr. K. W. Bevan, and the group forecast of £575,000 pre-tax profits for the current year is reaffirmed.

Turnover for the group—"a complete transformation" following mergers with C. and N. Electrical and J. and S. Engineers—is forecast to reach £7m.

As reported on August 31, taxable profit for the 16 months ended April 30, 1973, was £205,640 (£176,657 previous year) on a turnover of £3.4m. (£1.03m.). Dividends totalled 40 per cent.

Mr. Bevan reports that J. and S. group and C. and N. Electrical both exceeded the forecasts made at the time of the mergers. J and S. made a pre-tax profit of £215,937 for the year ending April 30, 1973, against a forecast of not less than £150,000. C. and N. made a profit of £192,464 for the 30 weeks ended April 30, 1973 against an estimate of not less than £190,000.

Much has already been done to streamline administration and increase the effectiveness of the group's selling efforts, the chairman says.

Vigorous action has been taken to counteract the heavy losses incurred by the Crayford and Holsworthy factories before control passed into the hands of the present management. The Holsworthy factory has been closed down and sold.

A pro-forma consolidated balance sheet, incorporating C. and N. Electrical Industries, shows current assets at April 30, 1973 at £3,649,218 including cash and bank balances of £84,957, and current liabilities at £2,946,290 of which £1,061,116 is accounted for by bank loans and overdrafts.

Fixed assets of the new group are £908,206 and investments total £40,057.

Meeting, Gloucester Hotel, S.W., October 2 at noon.

Brasway's sights on new peak

IN LINE with forecast group pre-tax profits of Brasway amounted to a record £254,589 for the year to April 28, 1973, compared with a loss of £7,661 for the previous year, after £104,183 (£38,318) for the first half.

And the directors are cautiously confident that another record will be attained for the current year.

Despite strong representation to the Treasury the final dividend is restricted to 15.2 per cent. gross, making 25.2 (24) per cent. It is to be hoped that next year a dividend more in line with earnings can be declared, the directors state.

	1972-73	1971-72
	£	£
Turnover	8,077,087	4,194,376
Profit before tax	254,589	*7,661
Taxation	93,000	†10,276
Net profit	161,589	2,615
Dividends	16,813	19,804
Retained	144,776	*17,189

* Deficit. † Credit.

The charge for tax is a transfer to a deferred tax account as a result of capital allowances for plant expenditure.

The record profits justify the policy of investing heavily in new plant. The principle area of expenditure during the year was the docks installation at Cardiff which has yet to reach its peak profits.

All divisions are very healthy at the moment and profits are currently running at a significantly higher level than last year, but the directors stress that in the current economic climate it would be foolish at this stage to forecast how this year will turn out. The company is engaged as iron and steel scrap processors and steel stockholders.

As in previous years, Mr. R. A. Swaby, chairman, is waiving his right to the dividend on his personal holding.

HESTAIR ALTERS YEAR-END

Following discussions with, and on the advice of, it auditors, Hestair has decided to extend its present trading period to January 31, 1974, for administrative purposes and to adopt that date as its future year end.

The directors confirm that current trading remains very buoyant and in order not to inconvenience shareholders by later payment of the final dividend they intend to declare a second interim during February, 1974. Adjustments will be made so as to ensure that the rights of convertible loan stockholders will be maintained.

BIDS AND DEALS

Robinson Group gives forecasts

In a letter giving details of recent acquisitions and disposals Mr. D. A. Boothman, chairman of the G. A. Robinson Group, announces plans to raise some £670,000 by way of a rights issue. Profit and dividend forecasts are also given.

For the year ending February 28, 1974, profits for the enlarged group on an annual basis are expected to be not less than £675,000.

In the absence of unforeseen circumstances and subject to counter-inflation legislation, the directors intend to recommend total dividends of 5.5p per share net—equivalent to 7.857p gross per share (2.5p) of which about one-third would be distributed as an interim in January, 1974, and the balance in July 1974. Under the existing legislation, dividends to be recommended in respect of 1973-74 would be limited to 1.8375p per share net—equivalent to 2.625p per share gross.

The acquisitions made by Robinson are Technische Handelmaatschappij Van Rooy Dorsman BV, Kwik-Fit (Exhausts and Brakes) and R. D. Webster and Sons; and the disposals Automotive and Engineering (Kingcraft), Automotive and Engineering (Imports) and the Caravan Park and Sandy Bay Hotel at Towyn, near Rhyl.

Consideration for Dorsman is D.fl.8m. cash (£1,230,769), which will be financed partly by a bank loan of D.fl.5m. (£769,231) and partly out of the proceeds of the rights issue.

Consideration for Kwik-Fit comprises 234,483 Ordinary 25p shares. The contract also provides for the issue of additional Ordinary shares on certain profit achievements.

Consideration for Webster is £85,000 cash. Ordinary shares can also be issued on the attainment of certain profits.

Consideration for the disposal of imports and the company's 80 per cent. interest in Kingcraft has been satisfied by 360,005 Ordinary 5p shares in The Talbex Group: these shares have a value of £61,200 on the basis of the middle market quotation on September 4. The consideration of £400,000 in cash for the disposal of Towyn has been received.

Samuel Montagu and Co. have completed arrangements for the rights issue of 461,500 Ordinary 25p shares each at a price of 145p per share to be made to holders registered on September 7 (other than the three executive directors together holding 780,355 Ordinary shares) in the proportion of one for four.

Cranleigh Group and Midland Montagu Industrial Finance have undertaken to take up and pay for a minimum of 100,000 and 42,500 new shares respectively out of their entitlements to 142,914 and 64,010 new shares. A non-executive director of Robinson will take up and pay for his entitlement to 1,000 new shares and the issue of the remaining 318,000 shares has been underwritten by Samuel Montagu and Co. Brokers to the issue are Henry Cooke, Lumsden and Co. and E. B. Savory, Milln and Co.

Subject to the passing at an extraordinary meeting on September 24, 1973, of resolutions to approve certain of the acquisitions and the rights issue, application will be made to the Stock Exchange for the whole of the enlarged capital of Robinson to be admitted to the Official List. Dealings are expected to commence on October 2.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-division shown below is based mainly on last year's timetable.

TO-DAY

Interims—Advance Electronics, Allied Polymer, Argentine Southern Land, Charles Clifford Industries, Corinthian Holdings, Crane Fruehauf, Edinburgh Investment Trust, Thomas Jourdan, Royco, Francis Sumner.

Finals—A.B. Electronic Components, Cantors, John Peters (Furnishing Stores), Raine Engineering Industries, Scottish and Universal Investments, Second City Properties, Zambian Anglo American.

FUTURE DATES

Interims—	
Anglo American Investment Tst.	Sept. 12
BSR	Sept. 20
Babcock and Wilcox	Sept. 11
Beatson Clark	Sept. 28
Bestobell	Sept. 12
British Aluminium	Sept. 12
Burmah Oil	Sept. 28
Edinburgh and Dundee Invests.	Sept. 19
Federated Land and Building	Sept. 17
Francis Industries	Oct. 10
G.R.A. Property Trust	Sept. 11
Geers Gross	Sept. 13
Home Counties Newspapers	Sept. 20
Lead Industries	Sept. 13
Liberty	Sept. 27
London and European Securities	Sept. 12
London General Investment Tst.	Oct. 25
London and Manchester Assurance	Sept. 20
Macfarlane Group (Clansman)	Sept. 14
Wettern Bros.	Sept. 28
Finals—	
Consolidated Goldfields	Oct. 9
Derritron	Sept. 14
Longbourne Holdings	Sept. 12
Milln Marsters	*Sept. 12

* Amended.

STONE-DRI

In response to the offer by Foster Brothers Clothing to acquire the Ordinary shares in Stone-Dri, acceptances have been received in respect of over 94.7 per cent. Elections for cash were made in respect of approximately 33.8 per cent. of the Ordinary shares of Foster to which they would otherwise have been entitled, and all cash elections will be met in full. The right to exercise the cash election has now lapsed.

The offer has become unconditional, but remains open.

FIRST FINSBURY EXPECTS £1M.

The directors of First Finsbury Trust expect pre-tax profits, excluding exceptional items and pre-acquisition profits and after deducting minority interests, for 1973, will be not less than £1m.

This is stated in documents giving full details of the acquisition by FFT of some U.K. subsidiaries of the Hutchison International group.

Assuming completion of the Hutchison agreement and that the profits estimate is met, then the directors would recommend a dividend of 2p a share (equal with associated tax credit to 2.86p a share) on the enlarged FFT capital.

A pro-forma balance sheet of the enlarged group shows net assets of £2.93m.

It is the intention of the FFT Board to seek a listing for the Ordinary capital and 5¼ per cent. covertible loan stock following a meeting of shareholders on September 24 to approve the Hutchison deal.

HAWTIN DETAILS

Brigadier E. W. C. Flavell, chairman of Bank and Commercial Holdings, has written to shareholders outlining further details of the proposed purchase from B and C deputy chairman, Mr. M. Birraine, of a 5 per cent. shareholding in Hawtin and the acquisition of a 64 per cent. stake from its chairman, Mr. J. D. Hillman, and Mrs. Hillman, to be followed by a bid for the remaining equity.

The chairman points out that the terms of the deal with Mr. Birraine value Hawtin's shares at about 48p, which compares with a lower price at which they have been standing recently (they are now about 34½p).

However, the B and C directors are "firmly of the opinion" that Hawtin's potential is such that the transaction will be of future benefit to the company.

The deals in respect of both Hawtin and of Calgary (which has been in liquidation since 1970) require the approval of B. and C. shareholders. An extraordinary meeting has been called for October 1.

FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times.

Bendix Corporation (Section: Americans).

Global & Marine (Section: Overseas-New York).

Independent Newspapers "B" Ordinary Shares (Section: Newspapers).

Jones Group (Section: Engineering).

Kershaw (A.) (Section: Industrials).

Lookers (Section: Motors-Garages).

Routledge and Kegan Paul (Section: Newspapers).

York Trust (Section: Trusts-Finance Land).

SCOTTISH BASE FOR HEIL

THE Heil Company, U.S. manufacturers of waste collection equipment, has established its first overseas plant on the Hillend industrial estate, near Dunfermline, Fife. The company, based in Milwaukee, has bought a 15,000 square feet factory from Fife County Council. It is capable of extension to 40,000 square feet and should be in full production by the end of this year.

ISSUE NEWS AND COMMENT

Prince of Wales Hotel quote

First National Industrial Trust has completed arrangements for the re-quotation of the Ordinary capital of Prince of Wales Hotel Company Southport, consisting of £282,500 in 25p shares. At the same time 180,000 shares are being placed at 160p each.

The shares in Prince of Wales were suspended in August pending the publication of full details concerning the acquisition of Imperial Hotel Blackpool and Drucintown Hotels.

Prince of Wales operates two hotels, with restaurant facilities for guests and functions. Imperial has one hotel with an indoor swimming pool and a nightclub while the bulk of its trade is derived from conferences, functions and trade affairs. Drucintown has the Park Hotel next door to the Imperial.

Profits of Prince of Wales have moved from £32,000 in 1968 to £37,000 in 1972. Over the same period Imperial has seen profits increase from £32,000 to £47,000 after a low of £21,000 in 1971. No individual profits record is given for Drucintown.

For the current year, ending December 1973, pre-tax profits of the enlarged group are forecast at £161,000. This is made up as to £41,000 from the original group, £95,000 from Imperial for 13 months and £25,000 from Drucintown for 5½ months. On the basis of these profits dividends totalling 2.39p would be intended. At the placing price the p/e would be 21.5 and the dividend yield ... per cent.

Brokers are Joseph Sebag ...

● comment

Prince of Wales in its old for... definitely a non-growth st... so some injection of earnin... needed. But Imperial, fi... year apart, and Drucintown... no earnings record, are... ideal solutions. It is fair... however, that the new m... ment at Imperial has been ... get the wheels in motion—... rent year is again seeing ... stantial increase. So the ... behind a share stake ... placing price which inciden... at a significant premium ... sector, must be that the ... response can be achieved ... other hotels, with further ... tions as a possible bonus, ... the rating is discounting ... two years of growth at the ... rate, the management ... move fast if any follow ... is to be justified.

Prospectus, Pages 42 ...

Favourable outlook for Beeston

THE DIRECTORS of The Beeston Boiler Company, who are contesting an offer for the company by Thornfield (St. Ann's), report that prospects for the current year are encouraging.

Apart from the U.K. market, export business in Australia and Ireland is increasing rapidly, and negotiations for development in other foreign markets are in hand.

As reported on September 6 profit for the year to March 31, 1973, was £16,605 (loss £214,882).

The claim against the suppliers of the automatic foundry plant has now been filed and is in excess of £1m. No benefit of this has been taken in the accounts. Expenditure in connection with the claim and in connection with the malfunction of the plant has been charged as it arose.

Land and buildings at Beeston were valued on July 9 at £1,208,600 —an excess over the book figure at March 31, 1973, of approximately £487,000.

In addition to a number of tenanted freehold houses, the company owns two freehold properties at Beeston, being the 10.35 acre site on which its offices and works are situated and a 6.5 acre site which was formerly used as a sports ground.

If planning consent is obtained, the value of the freehold land and buildings would, on the basis of offers already received, increase by a further £300,000.

So far as is known at the date of the report the only person having a substantial interest in the capital is The ITC Pension Trust, and another who hold 10 per cent. of the Ordinary.

Meeting, Nottingham, September 28, noon.

Rosgill has sufficient cash for needs

Since the balance sheet date of May 26, 1973, of Rosgill Holdings, the Staffordshire-based clothing and discount stores group, stocks and debtors have been substantially reduced and the company has sufficient cash resources for all forseeable requirements, says chairman Mr. J. L. Ingles.

In the accounts, stocks stood at £1,436,724 (£1,294,488) and debtors at £1,309,533 (£832,865). Reserves were £919,749 (£496,061).

On July 27, an 81 per cent. lift in pre-tax profits to £1,116,000 was reported for the year to May 26, 1973, beating the forecast £1,050,000. Interim dividend was 3.3p gross against the offer-for-sale forecast of 3p.

Referring to Pippa-Dee Parties, Mr. Ingles says that in the current year, because of the restrictions imposed by Phase II on net margins, the company is totally committed to profit growth through increased sales volume. To date, increases in sales have already been recorded as against last year and the directors are confident that the forecast growth of sales will be achieved for ... of the year, he adds.

As regards the Mo... Division, two newly ... stores at Shipley and ... fract will contribute ... year's profits, and a furthe... stores are scheduled to ... the current year, contrib... 1974-75 earnings.

In addition, a number ... sites are in an advanced ... of negotiation, while at ... planning permission obtai... erection of a 100,000 squ... warehouse.

Mr. Ingles adds that this ... sion "is only a beginning ... growth of Moneysave ... over the next few years ... value is placed on the ... tion that this division wi... to future profit growth.

Meeting, Burton-on-... October 1, at noon.

Ashbourne Investments progress

GROUP PRE-TAX profit ... bourne Investments, the ... banking, industrial tradi... property investment ... improved from £... £376,000 in the year to A... 1973, after £149,000 (£... the first half.

A final payment of ... 25p share, or 5¼ per cent ... steps up the gross total fo... 5½ per cent.

Group profit	
Taxation	
Net profit	
Extraordinary credits	
Minority interests	
Pre-acquisition	
Available	
Dividends	

Border TV confidence

Independent television ... gramme contractor Border ... vision has reported pre-tax ... up from £89,778 to £162,7... turnover increased from ... to £1,003,255, for the year ... 30, 1973.

Sir John Burgess, cha... says that in view of the im... trading results the directo... authorised the final stage ... equipment for all the com... programmes to be in colour.

In total, Border will have ... over £250,000 to conve... studios to colour—"a heav... lay"—but, equally, one ind... of confidence in the futu... John adds.

Final dividend is 14.7 per ... net, to make 21 (20) per ... gross.

Meeting, Carlisle, Septemb... at 12.15 p.m.

John Deere

Exceptional growth of 17... cent. in business for the first ... months of this financial year, ... pared with the same period ... year, is reported by Mr. D... Walker, managing directo... John Deere, the U.K. subsidia... Deere and Co.

Mr. Walker anticipates ... business will remain buoyan... the last quarter.

RESULTS AND ACCOUNTS IN BRIEF

ASTRA SECURITIES—Results year to April 30, 1973 reported August 30. Analysis of turnover and operating profit (£'000) — electrical and mechanical engineering £2,373 (£1,108) and £115 (£68), steel stockholding and processing £2,207 (£825) and £52 (£27), investment dealing and misc. £70 (£657) and £1 (£132). When improvements at Wolverhampton and Uppingham complete, fixed asset figures will be written up to more realistic levels, say directors. Net current assets £1,294,789 (£937,270). Steel side results well in advance and profitable electrical exports seriously beginning. Meeting, Coventry, September 27, at 11.30 a.m.

J. AND S. BICKLEY (clothing manufacturers)—Results year to March 31, 1973 reported July 25. Turnover £1.5lm. (£1.44m. for 15 months). Fixed assets £240,145 (£233,474). Net current assets £331,789 (£278,786). Meeting Merton, Sept. 25, at 2.30 p.m.

CLYDE PAPER COMPANY—Results year to March 31, 1973 and observations on prospects reported August 10. Group fixed assets £258,177 (£897,119). Net assets £683,567 (£985,321). Consideration being given to capital reconstruction in the light of realisation of Rutherglen assets. Meeting, Glasgow, September 27, noon.

FREDERICK COOPER (HOLDINGS) (processors of cold rolled steel strip and formed sections)—Results year to March 31, 1973, reported August 3. Chairman perturbed about amount of steel available to group. Allocation of necessary British steel for 1973 last quarter and early 1974 is reduced considerably below acceptable level to meet group's commitments. Fixed assets, reflecting some revaluation, £1,424,069 (£821,764). Net current liabilities £451,837 (£192,236). Overdraft £526,915 (£350,982) and loans £465,716 (£250,000). Stock and work in progress £661,634 (£536,411). Meeting, Hotel Meurice, S.W., September 25, at noon.

HALES PROPERTIES—Results year to March 31, 1973 reported July 28. Group fixed assets £1,297,688 (£1,184,080). Current assets £434,473 (£328,589), liabilities £501,963 (£374,750). Chairman feels very optimistic about prospects. Holders' approval sought to borrow further £84,600 from Wesleyan and General Assurance Society. Dividend at least 11.55 per cent. anticipated. Meeting Sutton Coldfield, September 13, noon.

HAWKINS DEVELOPMENTS (building and civil engineering contractors, etc.)—Results for 1972 reported September 4. Chairman says construction and development division less reliant in future on competitive tendering, following links with Cranbury Estates. Electrical division turnover and profits continue to expand. Analysis of turnover (£000): electrical manufacturing and distribution £2,243 (£1,875), building construction and development £4,752 (£6,492), resale of land acquired for development £312 (£23). Fixed assets £383,102 (£419,509). Net current assets £341,679 (£137,934). Meeting, St. Ermin's Hotel, S.W., September 27, at 11 a.m.

HAWTHORN BAKER (supplies to printing industry)—Results for year to May 31, 1973, reported August 11. On basis of current trading and sales and profit projections, further increase in profit expected for 1973-74 and forward planning should lead additional benefits in following year, says chairman. Reserves £300,090 (£265,364). Fixed assets £290,325 (£290,373). Current assets £511,888 (£424,978), including £251,702 (£260,037) for stock and work in progress. Current liabilities £350,412 (£231,038), including overdraft of £92,425 (£111,474). Meeting, Dunstable, September 28, at 2.30 p.m.

HELICAL BAR (fabrication of steel reinforcement)—Results year to April 30, 1973 reported August 17. Group fixed assets £330,817 (£154,983). Net current assets £296,003 (£278,773). Chairman says order book will ensure continuity and economy of production this year. Improvement in profit expected. Meeting, 20, Aldermanbury, E.C., Sept. 26, at 12.30 p.m.

JERMYN INVESTMENT CO.—Results for year to November 15, 1972 reported August 17. Chairman anticipates that dividend will be maintained and be fully covered in current year. In year under review, dividends cost £14,575. Profit after tax was £7,665. Capital reserve £235,641 (£243,545). Fixed assets: leasehold property (at cost) £637,556 (same). Quoted investments £9,570 (same)—market value £24,700 (£11,875). Unquoted investments nil (£250,000). Shareholdings of more than 10 per cent. held by Country and New Town Properties 292,375 (278,549), Bricomin Investments (a British and Commonwealth Shipping Co. subsidiary) 292,374 (nil), and Mr. M. A. Warburton 101,500. Meeting, 6-11 Agar Street, W.C., at noon.

LESBROOK (pressings and assemblies)—Results year to March 30, 1973, reported July 18. Fixed assets £407,679 (£150,720). Current assets £290,207 (£259,464), liabilities £413,206 (£158,726). Chairman optimistic of further progress. Steps being taken to improve finances, possibly by fresh capital. Meeting Birmingham, September 27, at 12.30 p.m.

OUVAH HIGHFIELDS (tea)—Results 1972 reported August 17. Group fixed assets £2,674,931 (£2,697,474). Investment £223,642 (£275,938). Current assets £826,911 (£772,538) liabilities £814,531 (£910,079). Consideration being given to increase earnings from sources other than Sri Lanka. Meeting, 21, Mincing Lane, E.C., September 27, 11.30 a.m.

PRESS TOOLS—Results year to April 30, 1973, reported August 13. Breakdown of turnover and profit shows press tools, jigs and fixtures £258,684 (£222,249) and £23,037 (£31,232); automatic and capstan products £668,715 (£490,054) and £93,398 (£73,478). Fixed assets £206,146 (£208,067). Net current asset £126,602 (£171,529). Current year promises to be a record one, says chairman. Meeting, Brownhills, Staffs., September 28, at 3 p.m.

Rand Leases (Vogelstruisfontein) Gold Mining—Results year to June 30, 1973 already known. Fixed assets R1.25m. (R1.43m.). Current assets R0.64m. (R0.73m.), liabilities R41,000 (R71,000) meeting Johannesburg October 1.

STAVERT ZIGOMALA AND CO. ... ture wholesalers and investment ... Results year to March 31, 1973 ... known. Group fixed assets £7,81... Investments £200,282 (£180,84...) value £307,655 (£337,372). Net ... liabilities £2,315 (£4,753). Meeting ... chester, October 3, noon.

WAITE AND SON (property in... ment, lampshade manufacturers)—Res... 1972 reported August 11. Property ... vestment turnover £386,967 and ... £341,476; manufacture ... £82,150. Proposed to issue shares ... of cash dividends. Trend of increa... profit in property field expected to ... tinue but no great variation in ... facturing. At August 10 New Provi... Securities held 48.12 per cent. of ... capital. Meeting, Abercorn Rooms, ... September 27, at 10.30 a.m.

C. S. WIGGINS AND SONS (buil... contractors and estate developers)—... Results for year to March 31, ... reported August 11. Chairman says ... interest rates, high land prices, ... shortage of skilled labour "temper... optimism engendered by good res... Analysis of turnover £6,323,015 (£4,0...) and trading profit £788,168 (£... building operations £6,307,888 (£4,... and £566,259 (£429,582), land sales ... (£13,010) and £135,318 (£5,449), and ... £65,311 (£64,172) and £43,401 (£... Meeting, Benfleet, September 28 at noon.

YOUNG AUSTEN AND YOUNG (en... vironmental engineers)—Results for ... to April 30, 1973, reported on August ... Chairman says work in progress ... factory. Provided no industrial ... or controls, future viewed with con... dence. Turnover £7,642,067 (£... Retained profit £70,330 (£245,...). Fixed ... assets shown at £495,... Current assets £2,985,674 (£... cluding stock and work in progress ... £757,114 (£732,357) and short-term invest... ments £114,601 (£438,457). Net current ... assets £1,134,471 (£1,138,162). Reserves ... £1,227,144 (£1,148,914). Meeting, ... September 27 at noon.

Pending dividends timetable

For the convenience of readers, the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
Advance Laundries	Oct. 5	Int. 4%
Amal. Metal	Sept. 29	Int. due
*Anglo Amer.-OFS Gp.	Sept. 13	Dividends
Associated Biscuit	Oct. 13	Int. 8%
Associated Fisheries	Sept. 22	Int. 7%
BBA Group	Sept. 30	Int. 6%
BICC	Sept. 20	Int. 5½%
BSR	Sept. 29	Int. 10.5% §
Babcock and Wilcox	Sept. 11	Int. 4½% §
Bank of Scotland	Sept. 20	Int. 10%
Barclay Secs.	Oct. 3	Int. 15%
Booker McConnell	Sept. 20	Int. 4%
Bovis	Sept. 11	Int. 12%
Bowthorpe	Oct. 8	Int. 7½%
Bristol [illegible] Group	Oct. 10	Int. 10½%
British Aluminium	Sept. 12	Int. 5%
British Ropes	Sept. 20	Int. 7%
Brook St. Bureau	Aug. 31	Int. 16%
Bunzl Pulp	Oct. 5	Int. 10.5%
Burmah Oil	Sept. 30	Int. 6½%
Cadbury Schweppes	Sept. 20	Int. 5%
Cape Asbestos	Oct. 2	Int. 10%
Carreras	Sept. 8	Final 11%
Clarke Chapman-J. Thompson	Oct. 5	Int. 8%
Combined English Stores	Oct. 4	Int. 12%
Cons. Goldfields	Oct. 9	Final 12.4%
Cousins (R.)	Sept. 21	Int. 13½%
Debenhams	Sept. 22	Int. 6%
Freshbake	Sept. 19	Int. 8%
Grade Invst.	Sept. 14	Int. 2%
Dewey Day	Oct. 12	Final 18%
Dunlop	Oct. 22	Int. 4%
Delta Metal	Sept. 26	Int. 8%
Dickinson Robinson	Sept. 27	Int. 10%
EMI	Sept. 7	Final 7½%
Elite Star	Sept. 13	Int. 15%
Empire Stores	Oct. 10	Int. 8%
First National Finance	Sept. 26	Int. 16%
Fisons	Sept. 24	Int. 5½%
Foseco Minsep	Sept. 29	Int. 2%
Freemans (Lon. SW9)	Oct. 4	Int. 4%
Gallaher	Sept. 28	Int. 4%
Garrard and National	Oct. 12	Int. 12%
Guardian Royal Ex.	Sept. 12	Int. 15½%
Guthrie	Sept. 26	Int. 6%
Hawker Sid. (A.)	Sept. 21	Int. 15½%
Hudson's Bay	Aug. 23	Final 26 cents
International Bank	Sept. 5	Final 80 cents
I.C.I.	July 26	Final 10½%
Ingham (T.)	Sept. 10	Int. 8½%
Jessel Intnl.	Oct. 10	Int. 15%
Keyser Ullmann	Aug. 23	Final 28%
Laing (J.)	Sept. 26	Int. 4%
Laird Group	Sept. 11	Int. 6½%
Laurence Scott	Sept. 21	Int. 4%
Legal and General	Oct. 12	Int. 40%
*Lex Service Group	Sept. 14	Int. 7½%
London Merchant Secs.	Oct. 18	Final 6%
Miles Druce	Oct. 12	Int. 12%
Morgan Crucible	Oct. 6	Int. 13½%
National and Grindlays	Sept. 13	Int. 8%
Ocean Transport	Oct. 11	Int. 16%
*Pearson Longman	Sept. 14	Int. 7½%
*Phoenix Assce.	Sept. 19	Int. 18%
*Plessey	Sept. 11	Final 5%
*Portals	Sept. 11	Int. 7%
*Prudential Assce.	Sept. 20	Int. 50%
Ready Mixed Concrete	Sept. 29	Int. 12%
*Reckitt and Colman	Sept. 11	Int. 9%
*Rio Tinto-Zinc	Sept. 19	Int. 8%
Rockware	Oct. 3	Int. 5%
Rowntree Mackintosh	Sept. 27	Int. 5%
*Royal Dutch	Sept. 13	Int. 17½%
Schroders	Sept. 22	Int. 4.2%
*Scottish and Universal	Sept. 10	Final 12½%
*Shell Transpt.	Sept. 13	Int. 18%
Star (GB)	Sept. 26	Int. 8%
*Steetley	Sept. 12	Int. 9%
Stone-Platt	Sept. 20	Int. 6%
*Tarmac	Oct. 15	Int. 7%
Tate and Lyle	Sept. 26	Sec. int. 8%
Thomson Organisation	Sept. 30	Int. 18%
*Tilling (Thos.)	Sept. 20	Int. 10%
*Tube Invest.	Sept. 20	Int. 8%
UDS Group	Oct. 11	Int. 12%
Utd. Biscuits	Sept. 21	Int. 8%
Utd. Builders Merchants	Oct. 8	Int. 10%
Union Corpn. Group	Sept. 8	Dividends
*Vickers	Sept. 26	Int. 4%
Wadham Stringer	Sept. 28	Int. 4%
Walker	Sept. 29	Int. 8%
Wheelock Marden	Sept. 9	Final 70 cents
Wilmot Breeden	Oct. 12	Int. 4%
Wm. Indus.	Oct. 18	Int. 4%
Zambian Anglo American	Sept. 8	Final 12.5p

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Local Authority Investments

OCAL AUTHORITY loan rates re weaker on balance in the mporary sector last week, but e one-year mortgage rate was a ade firmer. Mortgage business cept at the very short end was ain restricted.

Helping to reduce temporary tes was a full supply of day-to-y credit in the money market a whole. Loans to local thorities at 7-days' notice ened the week at 13¼-13⅞ per nt., against the previous 13¾-14 r cent., and trended down to ¾-13 per cent. by Friday, having ched 12-13 per cent. on Tuesy. The 3-month local authority posit rate was reduced to 13¾-⅞ per cent., from 14-14¼ per cent. e previous Friday, but the one-ar mortgage rate rose to 14-14¼ r cent., from 14-14⅛ per cent.

The Financial Times Government Securities Index fell 0.94 int on the week to 63.36, touchg an all-time low of 63.18 on Thursday. The weakness of sterling in the foreign exchanges contributed strongly to the weakness in the index over the week, although the pound was showing a better tendency (as was the index) in the closing stages, following the news of the renewal of the sterling guarantee arrangements.

One-year local authority bonds were placed during the week at par, with a coupon of 13⅞ per cent., to offer a yield ⅛ per cent. below that on the previous week's batch.

Public Works Loan Board rates were raised throughout the range with effect from Saturday—quota rates by amounts of ¼ per cent. to ⅜ per cent., to a range of 11⅜-11¾ per cent., and non-quota by amounts of ⅛ per cent. to 1 per cent., to a range of 11¾-13 per cent. The revised list of rates appears on this page.

*Rate (%) September 7, 1973

days' notice (deposit receipt)	11¾—12¼
days' notice (deposit receipt)	12¾—13
days' notice after one month (deposit receipt)	12¾—13¼
days' notice after three months (deposit receipt)	13¼—13¾
days' notice after six months (deposit receipt)	13¼—13¾
rtgage at one month's mutual notice, after 11 months	14 —14¼
rtgage at one month's lender notice after 11 months (nominal term 2-5 years)	13¼—13½††
years' mortgage	13 —13¼†
years' mortgage	12¾—13†
years' mortgage	12¾—13†
years' mortgage	12¾†
10 years' mortgage	11¾—12⅛†
years' mortgage	11 —12¼†

*Rates are for sums not less than £50,000 and are subject to local itations and fluctuations. †Nominal. ‡Shorter period may attract her rates than longer.

Public Works Loan Board rates

(Effective from September 8, 1973)

Years	Quota loans Repaid By instalments	At maturity	Non-quota loans Repaid By instalments	At maturity
Up to 5	11⅜	11⅜	13	12¾
Over 5, up to 10	11½	11½	12½	11¾
Over 10, up to 15	11¾	11¾	11¾	11¾
Over 15, up to 25	11¾	11¾	11¾	11¾
Over 25	11¾	11¾	11¾	11¾

RECENT ISSUES

EQUITIES

Issue Price	Amount Paid Up	Latest Renunc. Date	1973 High	Low	Stock	Closing Price	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1973 High	Low	Stock	Closing Price	+ or −
[illegible]	F.P.	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price	Amount Paid Up	Latest Renunc. Date	1973 High	Low	Stock	Closing Price	+ or −
[illegible]	nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

RUGBY UNION

England kicking lets them down

BY DAI HAYWARD CHRISTCHURCH, Sept. 9.

WHAT SHOULD have been one of England's greatest strengths—goal-kicking—developed into a major weakness with Rossborough failing with seven attempted penalty kicks, two conversions and a drop goal, and Old missing a penalty and a conversion.

This enabled Canterbury to chalk up the third successive defeat of the touring England rugby team by 17 points to 12 at Lancaster Park on Saturday.

Admittedly, in the first half, England were playing against a stiff breeze which made ground conditions tricky, but Canterbury full-back McCormack mastered these conditions, and it was his 11 points from goal kicks which gave Canterbury their victory.

England had two chances to take the lead within the first two minutes. The first came from the kick-off when fast following up by the forwards forced Canterbury into errors and brought a penalty with only 30 seconds gone. An ambitious attempt from 55 yards fell short but, nevertheless, was a good kick.

Two minutes later, Rossborough came into the line in a passing move, kicked high, followed up fast and caught McCormack in possession. This brought England another penalty, this time on the 20-yard line, but again Rossborough's kick fell short.

England's chance to exert supremacy was gone and they never again looked like a winning team, except well into the second spell.

Canterbury stormed back with a forward drive and the English forwards were penalised for being offside on the 25. McCormack put his side in front with a good kick.

Canterbury's forwards dominated the rucks and this won them much valuable ball, while weak rucking was one of the worst features of England's game.

Star player

When the tourists' backs did get away, they ruined many promising moves with faulty passes or dropped balls. Jan Webster, scrum half, was again the English star. He set up many promising moves, delivered long accurate passes and made several intelligent breaks on his own.

He was also sound in defence, staying cool under pressure and clearing repeatedly from dangerous situations.

When Canterbury won the ball and seemed set to sweep upfield with the backs in possession, it was frequently Webster who got between them to break up the attack.

Cooper, at centre, and Old also played well.

England's backs tackled well and solidly. They held Canterbury out and repeatedly threw them back from the goal-line.

In the end, Canterbury scored only two tries to England's three, but it was McCormick's boot putting on extra points which turned the day.

Both England wings, Squires and Duckham, showed up well although they did not receive as much ball as they might have.

Squires scored two of England's three tries—the other came from Rossborough.

Squires was always looking for opportunities. Once, when McCormick ran his back line into position and England were under pressure, there were three Canterbury men with only Squires to beat. He caught two, caused the ball to go loose, pounced on it, kicked ahead and was away with it, but the referee's whistle called him back for infringement.

England's forwards failed to dominate the line-outs and lacked fire in the loose. Ripley and Stack Stevens were often prominent but, overall, others gave ground before strong Canterbury drives. The line-out play was also ragged, with too many loose taps back.

Attacks fail

England, trailing 12 points to nil at half-time, but with the wind behind them, launched several running attacks in the second session, only to see them break down. They often tried clever tricky moves to switch play but these seldom produced results.

England may have done better to have stuck to more orthodox play and feed the ball out to the wings. When Duckham or Squires had a chance, they took it.

Evans, blocked by the Canterbury defence, found Stevens in support then, as Stevens went down, he threw a long, high pass to Cooper.

Cooper beat the defence, accelerated and fed Squires who, coming up like a thunderbolt, raced over in the corner.

Then, the English forwards started to do better in breaking through lineouts, and bustling Canterbury half-back Davis. They gained possession, cleared back to Webster who had his backs away with one of his long accurate passes.

The ball moved right along the backline to Duckham who from halfway set off in a swerving run infield to give room for Rossborough coming up the line.

Duckham drew McPhail before passing to Rossborough who went over.

Again his kick missed, and England with two tries were still trailing by four points.

England swept upfield time after time, with Cooper and Old combining well. More than once they looked dangerous.

Then from midway between the Canterbury half and the 25, Webster cleared with a long, raking pass. It reached Cooper who kicked accurately, catching McCormick out of position.

Webster raced up, hustled McCormick, got his toe to the ball and kicked over the line. He was beaded off by the Canterbury winger and Squires just beat the opposition to fall on the ball inches from the dead goal-line.

The scores were now equal, 12—all, with 15 minutes to go.

Costly errors

It seemed now England could win, but errors cost them dearly. First, McCormick kicked an easy penalty from the 25 line.

Rossborough, coming in as extra man, took the ball, drew his man and went to pass on to Squires.

Defending winger McPhail, who had been outplayed by Squires all day, shot between, intercepted the pass, and ran 50 yards to score in the corner. McCormick converted and England were seven points down with seven minutes to go.

They tried to mount a fresh attack but Canterbury determinedly pushed them back with well-placed ground kicks.

The match was not brilliant, but hard and clean, marked by a flood of penalties for rule infringements awarded by the referee.

July wool exports up 76% at £21.1m.

EXPORTS OF U.K. wool textiles in July at £21.1m. were again at a very high level, showing a 76 per cent. rise over July, 1972. In the first seven months of 1973 earnings reached £134.2m., compared with £84.5m. in the same period of 1972, a gain of 59 per cent.

This expansion reflects the continued effect of higher wool prices and a substantial increase in volume, according to the National Wool Textile Export Corporation.

Exports of tops (combed wool) again showed the highest proportionate rise in value, totalling £23.9m., a rise of 121 per cent. (18 per cent. in volume). Japan accounted for over a quarter of the total. Exports of raw wool again fell in volume terms but increased by 93 per cent. in value terms. Shipment of yarns went up by 39 per cent. in value to £21.8m., and 6 per cent. in volume.

Earnings from wool cloth continued to improve, and at £51.9m. were £15.3m., or 42 per cent., higher than in the first seven months of 1972.

FINANCIAL TIMES STOCK INDICES

	Sept. 7	Sept. 6	Sept. 5	Sept. 4	Sept. 3	Aug. 31	A Year ago
Government Secs.	63.36	63.16	63.40	63.59	64.00	64.30	71.78
Fixed Interest	63.80	63.57	63.84	64.32	64.30	64.60	75.81
Industrial Ordinary	414.9	405.8	404.8	405.1	409.9	414.4	509.5
Gold Mines	168.9	169.6	166.5	160.4	156.7	154.7	102.9
Ord Div Yield	4.56	4.65	4.66	4.64	4.60	4.56	3.29
Earnings Y'ld % (full) (a)	10.17	10.59	10.39	10.38	10.26	10.17	†4.92
P/E Ratio (net) (b)	12.41	12.14	12.15	12.18	12.25	12.41	20.35
Dealings marked	5,686	5,866	5,296	6,401	6,895	6,581	6,525

10 a.m. 407.7 11 a.m. 407.9 Noon 408.3 1 p.m. 411.1 2 p.m. 411.3 3 p.m. 411.1

Latest index 01-246 8026.

(a) Based on 50% Corporation Tax. (b) Nil=12.17. † On old basis.

HIGHS AND LOWS / S.E. ACTIVITY

	1973 High	1973 Low	Since Compilation High	Since Compilation Low		Sept. 7	Sept. 6
Govt. Secs.	72.08 (22/1)	63.16 (6/9)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged	127.0	125.5
Fixed Int.	73.85 (3/1)	63.57 (6/9)	150.4 (28/11/47)	55.57 (6/9/73)	Industrials	92.3	133.1
					Speculative	33.5	33.1
					Totals	129.4	131.1
Ind. Ord.	509.5 (12/1)	404.8 (5/9)	543.6 (19/5/72)	49.4 (26/6/40)	5-day Av. Gilt Edged	129.0	127.4
					Industrials	157.1	105.7
Gold Mines	203.6 (8/1)	93.5 (29/1)	203.6 (8/1/73)	43.5 (26/10/71)	Speculative	122.2	127.9
					Totals	138.2	142.5

Basic 100 Govt. Secs. 15/10/26, Fixed Int. 1928, Ind. Ord. 1/7/35, Gold Mines 12/9/55. S.E. Activity July-Dec. 1942.

FT—ACTUARIES INDICES

	Sept. 7	Sept. 6	Sept. 5	Sept. 4	Sept. 3	Aug. 31	A Year ago
Industrial Group	166.91	164.96	164.67	165.47	166.75	167.90	208.81
500 Share	176.80	172.81	173.51	174.05	175.89	176.63	217.61
Div. Yield pc	4.50	4.54	4.51	4.56	4.51	4.58	3.50
P/E Ratio (net)	14.45	14.16	14.29	14.33	14.44	14.56	18.15
All Share	174.25	172.59	172.41	173.13	174.24	175.57	218.03
Consols Yield pc	11.75	11.79	11.72	11.81	11.51	11.43	9.55

†On old basis.

BANK BASE RATES

Allied Irish Banks Ltd.	11 %
Anglo-Eastern Bank	11½%
Anglo-Portuguese Bank	11 %
Banco de Bilbao	11 %
Bank of Cyprus	11½%
■ Wm. Brandt's	11 %
Brit. Bk. of Commerce	12 %
Brit. Bank of Mid. East	11 %
■ Brown Shipley	11½%
Cedar Holdings	11 %
■ Charterhouse Japhet	11 %
Choulartons	11 %
C. E. Coates	11½%
Consolidated Credits	11 %
Co-operative Bank	*11 %
Corinthian Securities	11 %
Credit Lyonnais	11 %
G. R. Dawes	11 %
Dawnay Day	11 %
Duboff Brothers	11 %
Dunbar & Co. Ltd.	11 %
Duncan Lawrie	11 %
English Transcont.	11 %
First Maryland	11 %
FNFC	11½%
■ Antony Gibbs	11 %
Gresham Trust	11 %
Greyhound Guaranty	11 %
■ Guinness Mahon	11 %
■ Hambros Bank	11 %
Hawlin & Partners	11 %
■ Hill Samuel	§11½%
C. Hoare & Co.	†11 %
Julian S. Hodge	11½%
Julian International	11 %
Jacobs, Kroll	11 %
Keyser Ullmann	11 %
Kingsnorth Securities	11 %
London & County Sec.	11½%
London Mercantile	11 %
■ Samuel Montagu	11 %
Moorgate Mercantile	11 %
■ Morgan Grenfell	11 %
Morris Wigram Ltd.	11 %
Northern Comm. Tst.	11½%
■ Rea Brothers	11½%
■ N. M. Rothschild	11 %
St. Mary Axe Finance	11½%
E. S. Schwab	11 %
Security Tst. Co. Bhm.	11½%
Standard Guarantee	11½%
Sterling Credit	11 %
Sterling Industrial Sec.	11½%
Swiss-Israel Trade Bk.	11 %
Twentieth Century Bk.	11 %
Wallace Bros. Sasson	11½%
Whiteaway Laidlaw	11 %
G. T. Whyte	11 %
Wintrust	12 %

■ Members of the Accepting Houses Committee.
* Seven-day deposits 9½%; one-month 9½%.
† Seven-day deposits on sums of £10,000 and under 9½%; up to £25,000 10%; over £25,000 10½%.
‡ Demand Deposits 10½%.
§ Linked to M.L.R.

MINING NOTEBOOK

Gold Fields in rich new uranium find

BY LODESTAR

DESPITE the policy of the new Australian Government which seems designed to dampen down the still much-needed exploratory spirit in that exciting country the age-old enthusiasm of the miner has not yet been entirely extinguished.

Nor has the feeling that overseas links are vitally needed not only for markets but also for development purposes. The latest evidence comes from the Sydney-based Pancontinental company. As reported in our mining column last Wednesday, it has effected an outside deal whereby Consolidated Gold Fields, Australia, will obtain a near 15 per cent. share holding.

This is a 68 per cent. owned subsidiary of London's Consolidated Gold Fields which thus moves into its first uranium play outside South Africa where its stake in this number one energy making material of the future is in any case small.

27 lbs a ton

And it does so at a very opportune moment. Because, over the week-end, Pancontinental and its powerful partner the American Getty Oil giant have revealed that their new uranium prospect in Australia's Northern Territory, situated 1,600 feet east of their original Jabiluka find, looks to be even bigger.

Values and thicknesses in three recently completed holes are running at about twice those at Jabiluka Pancontinental's chairman Mr. Tony Grey told me on Friday. The latest results range up to as much as 27 lbs of uranium oxide a ton from a 69-foot core. The other two holes gave 6 lbs for 37 feet and 7 lbs for 109 feet. Depths of the mineralisation were no more than 400 feet. Needless to say, further drilling is in progress to determine the new deposit's extent and continuity.

The Jabiluka reserve as computed last January was 1.19m. short tons of "measured" ore containing 8.87m. lbs of uranium oxide plus 0.36m. tons of "indicated" ore with about 1m. lbs of oxide. Mr. Grey points out that Getty Oil's subsidiary in Australia owns a 35 per cent. interest in exploration licences covering some 85,000 acres in the Northern Territory. Pancontinental has the other 65 per cent. and is the operator of the joint prospecting programme.

Sales tour

Moreover, Getty is bearing the prospecting costs. It can also be expected to play a major part in marketing the eventual production. It is with this backing that Toronto lawyer Tony Grey will be shortly setting off—his first port of call will naturally be Tokyo—on a round the world sales tour.

He welcomes the Gold Fields move-in. It provides Pancontinental with some fresh funds and, presumably, will be a helpful factor when further money is required. From a share market viewpoint it also seems as though the deal may mark the end of the pedalling out of Pancontinental stock by Australian Gold Development. Along with practically all down-under mining issues since the new Labour Government delivered its latest tax blows in the August Budget Pancontinental have been a depressed market.

On Friday, however, they rallied 6p to 33p. On the basis of Mr. Grey's opinion that the new find is going to be "much bigger than Jabiluka" plus the powerful Gold Fields and Getty links it looks as though Pancontinental offers that rarity indeed these days, a share with some speculative attractions in the Australian mining market.

Gold shares

Last week it seemed as though the free market bullion price and the South African gold share market were beginning to resolve everybody's problem by breaking out of their recently indecisive mood in an upward direction. That there will be an eventual break one way or the other is inevitable. Analysts' views continue to differ as to which way it will be.

But on one thing they mostly agree. This is that on the basis of a gold price received of $95 an ounce which is a fair enough estimate in present circumstances it is difficult to make out a statistical projection that makes many shares look cheap at current prices. In other words, a buyer at present levels from an investment viewpoint, as distinct from a chance-your-arm short-term gamble, has got to be putting his faith in gold going up not down. Present price is $105.5.

Exceptions

Are there any exceptions? Well, to take one computation, that of David Potts, who has just compiled the second 33-page edition of his guide to South African gold shares for London brokers Cohen de Smitt Greener Dreyfus, they only consist of East Driefontein, Harmony (formerly favoured in this column), Kloof and Western Deep with Kinross, Doornfontein, West Driefontein and St. Helena as what may be termed possibles.

Meanwhile, this Thursday's final dividend declarations by the Orange Free State mines in the Anglo American Corporation group are bound to be something of a market factor whether or not they live up to the forecasts set out here on August 20. Even so, it is the free market bullion price which must still inevitably be the prime share market influence.

At least on thing should not go unnoticed. For the first time in my memory our weekly Leaders and Laggards table of 46 indice movements since the beginning of the year showed only one index with a plus last Thursday. It was, of course, golds. And the plus was a thumping 68.3 per cent. So once again mining markets have got one winning section. They usually have. I wonder which the next one will be. Any suggestions?

Dividend hopes

Anyone who was intrigued by my reference to South African Land last Monday (the shares rose 25p to 220p last week) will find all the whys and wherefores, including a map, set out on page 872 of South Africa's Financial Mail of August 31.

That old favourite Winkelhaak is among the mines due to declare their final dividends this week. It could be a good one. Estimates range from 27 to 32 cents. The latter would make a 1973 total of 50 cents (30.8p) against 26 cents for last year.

Another good payer should be St. Helena. There seems to be a fair amount of unanimity in this case that the final should be 73 cents to make 120 cents (74p), well up from last year's 90 cents. The company disappointed the pundits with the interim. It will be interesting to see whether the final makes amends.

That speculative gold price high-flyer Loraine could also spring a pleasant little surprise with a 1973 payment of 9 or 10 cents against a humble 2 cents for the year to last September. It has to be remembered that part of the profits have to go towards repayment of the loan from Anglo American.

INSURANCE

New rules for advertising

BY OUR INSURANCE CORRESPONDENT

THOUGH THIS year's Insurance Companies Amendment Act received Royal Assent on July 25, much of the new law is as yet only sketched in: the complete picture will only become clear when the many detailed regulations contemplated by the Act are laid before Parliament.

Quite apart from the regulations required to bring into force by February 1975 the E.E.C. non-life directive, which I discussed last week, it may be that we shall have to wait beyond this year's end to learn how precisely the sections 41-48 dealing with advertising and intermediaries are to operate.

Form and content

S. 25 of the 1958 Insurance Act contained provisions designed to regulate the nature of insurance advertisements, but as soon as the regulations authorised by s. 41 of the new Act are made, the s. 25 provisions will lapse. What we do know is that the new regulations will apply to the form and content of insurance advertisements issued by "any" person: so brokers and other intermediaries will be just as much at risk as insurers themselves. It seems, however, that the publisher will not so be at risk unless he assists in the preparation of an offending text. But the advertising agent will have to watch his step.

S. 42 of the new Act makes it an offence to issue a false or misleading statement or forecast in order to induce anyone to enter into a contract of insurance. Anyone concerned with the law of misleading statements will recognise quickly the terminology of s. 42 of the new Act, for this is substantially similar to that employed in the Prevention of Fraud (Investments) Act, 1958, as amended in 1963 by the Protection of Depositors Act. To ensure that there is no overlap or conflict between s. 42 of the new Act and these other statutes, s. 48 of the new Act provides that they in no way apply to contracts of insurance.

It is common knowledge that the intermediary has a financial interest (his commission) in persuading the inquirer to buy insurance and that the intermediary, being only human, may well place his client's risks with those insurers allowing him a higher rate of commission. It is perhaps less well known among the insuring public that some intermediaries are so closely financially related to certain insurance companies as to be virtually those companies' branch organisations.

Implication

This latter aspect is to be subjected to regulations to be made under s. 43 of the new Act: once the regulations are in force, if the intermediary is connected with the insurer in any of the ways to be specified in the regulations, then the intermediary will have to tell his client. Moreover, if the insurers in question are not authorised to carry on business in the United Kingdom, this information also will have to be given. The implication is, of course, that the potential policyholder will be that much more reluctant to buy the cover offered without real independent advice.

So this rule strikes also at the unauthorised overseas insurer who might think to continue his operations by arranging for an authorised insurer to front for him, and then undertaking to provide 100 per cent. reinsurance. But such fronting operations may now be subject to DTI scrutiny, for even before the new Act, the DTI already had powers to inquire of direct insurers what their reinsurance arrangements were—powers which have been mostly used in deciding whether a new direct insurer should or should not be authorised.

And though there is nothing in the new Act specifically dealing with reinsurance, the DTI's officials have made it clear that where reinsurance is placed overseas with a reinsurer not authorised in Britain (an entirely legitimate, often necessary, and equally often prudent step for many a British insurer to take) the DTI will need to be satisfied as to the financial soundness of such reinsurers.

Tanker rates buoyant despite oil problems

BY JAMES McDONALD, SHIPPING CORRESPONDENT

THE oil tanker charter market last week maintained its exceptional strength but to some extent the very high freight rates being paid are overshadowed in some sectors of the market by uncertainties about future oil supplies as well as currency problems.

There has been no sign of any slackening in demand for the tankers remaining in the Persian Gulf in September with rates to the West rising over the week by up to 20 points to Worldscale 345. One broker, Lambert Brothers, reports that there is no more than 1m. deadweight tons now unfixed in the area and available during September. "Inquiry remains at a very high level and for charterers who must fix this month further premiums will have to be conceded."

From other areas rates also were buoyant with Mediterranean to U.K. or Continent rates at about Worldscale 335, and from Nigeria to U.K.-Continent about Worldscale 315. Caribbeans to USAC levels at the end of the week stood at about Worldscale 285.

In the period charter market, with rate levels steadily becoming higher for early deliveries, the fixing of large tankers for more forward delivery has increased substantially. Frota, for example, has fixed a further four ships, including a 130,000-tonner for five years' charter from 1975 at the equivalent of Worldscale 100 and a 312,000-tonner for a similar period and delivery at the equivalent of about Worldscale 82.

An indication of how dirty tanker freights have continued to rise substantially in most trades over the past month is given by John I. Jacobs and Co. in its following table of monthly weighted freight averages for spot August fixtures. The averages for July are in brackets.

DIRTY		
Persian Gulf—U.K.-Continent	W 282.6	(W 183.6)
Persian Gulf—Far East	W 369.3	(W 227.9)
Mediterranean—U.K.-Continent	W 250.5	(W 217.0)
Caribbean—USAC	W 282.4	(W 311.7)

London tea sales

At the tea sales held in London last week 37,951 packages sold realised an average price of 38.83p per kilo, against 38.42p at the previous sales and 29.32p a year ago. Plain tea was quoted at 22p.

	No. of packages	Average p per kilo
African Highland Prod.	[illegible]	[illegible]
Anglo Ceylon and Gen.	[illegible]	[illegible]
Borelli	[illegible]	[illegible]
British African	[illegible]	[illegible]
Central Provinces	[illegible]	[illegible]
Ceylon Tea Plants	[illegible]	[illegible]
Cons. Estates	[illegible]	[illegible]
Eastern Produce	[illegible]	[illegible]
Imperial	[illegible]	[illegible]
Jorehaut	[illegible]	[illegible]
Kenya	[illegible]	[illegible]
Lanka	[illegible]	[illegible]
Lunuva	[illegible]	[illegible]
Majuli	[illegible]	[illegible]
Makum	[illegible]	[illegible]
Nayabedde	[illegible]	[illegible]
New Dimbula	[illegible]	[illegible]
Ouvah	[illegible]	[illegible]
Pabbojan	[illegible]	[illegible]
Pundaloya	[illegible]	[illegible]
Scot. Tea and Lands	[illegible]	[illegible]
Spring Valley	[illegible]	[illegible]
Standard	[illegible]	[illegible]
Tanganyika	[illegible]	[illegible]
Telbedde	[illegible]	[illegible]
Travancore	[illegible]	[illegible]
Tukvar	[illegible]	[illegible]
United Planters	[illegible]	[illegible]

Stocks at August 31 amounted to [illegible] metric tons compared with [illegible] metric tons a year ago. Converted at [illegible] kilos per package.

Hong Kong land to borrow $50m.

By Mary Campbell

HONG KONG LAND International is to make a $50m. Eurobond issue with warrants. The issue is dated 1988 with an average life of 11.1 years. Details of the issue will not be decided until the offering date, expected to be September 20, but Morgan et Cie International has said that under present market conditions the coupon would be 7.75 per cent. Conversion premium will be about 10 per cent.

The issue is unconditionally guaranteed by Hong Kong Land, Hong Kong's largest property company. A warrant to subscribe in Hong Kong dollars, for the equivalent of about $U.S.1,250, for shares of the parent company will be attached to each U.S.$1,000 of debentures.

The warrants will be exercisable from the beginning of next year through to the end of 1988.

INTERNATIONAL COMPANY NEWS + EURO MARKETS

EUROBONDS

Market gets going again

BY MARY CAMPBELL

THE EUROBOND market is girding itself for activity. In the straight market, Rothschild's Eurco 30m. issue for the European Investment Bank is expected to be announced in the near future. A $50m. convertible subordinated debenture issue for Walt Disney Productions is also expected soon, while the long-expected $50m. issue with warrants for Hongkong Land has now been announced.

On the D-mark sector of the market, rumours of an imminent issue abound—presumably for a top name since the Capital Markets Sub-Committee has ruled that this market should remain closed unless such a borrower can be found.

The European Investment Bank's Eurco issue has been in gestation for some months. Even apart from any intrinsic advantages it may or may not have over an issue in dollars at this time, its progress should be significantly easier because it has been given partial exemption from the restrictions on Italian overseas investment. These restrictions, which were introduced in July, force Italians to deposit a penal proportion of the value of any overseas portfolio investment in a non-interest bearing account.

Details of the proposed issue for Walt Disney Productions have not yet been announced. However, in their more frivolous moments at least, issuing houses are confident that it should attract wide retail interest.

The Swiss Franc market continues to show signs of strain—by the standards of the Swiss Franc market. This has meant that the Dow Chemical issue, which in better times might have carried a coupon of 6 per cent, and been priced at 101, in fact came out at par with a coupon of 6½.

The secondary market continued its slow progress, with convertibles, under the influence of Wall Street's rise last week, leading the way. In no sector could conditions be described as active, but dollar bond dealers in particular are reporting some buying nowadays. However, the Euroclear interest rates remain high—thus restricting dealers from building up their portfolios—and interest rates in general are not yet turning. Turnover was sharply down.

On the medium term market, Brazil has been a particularly active borrower recently: it has raised at least $103m. in the last few weeks. First National Boston has arranged four loans, three of $10m. for ten years and one of $5m. for seven years, for different states. Citicorp International arranging a loan of $30m. for 12 years for another Brazilian state. Finally, Crédit Commercial de France has arranged two loans totalling $37m. for Brazil: both are for 15 years for public utilities.

Hitachi expects 30% rise in profits

HITACHI EXPECTS an increase of 30 per cent. in consolidated net profit for the fiscal year ending March 31, compared with last year's $202m., the company has stated.

Net sales are likely to rise 20 per cent. from last year's $4,862m.

The rate of increase in net profit will be larger than that of net sales because Hitachi has been shifting the centre of its business to universal industrial machinery and electronic products, whose inventory turnover is faster, from heavy electric manufacturing.

The company's official position is that it will continue to pay a dividend of Y3 for the six months to September 30, unchanged from the previous term, although stock market brokers are talking about the possibility of an increased pay-out.

There are some uncertain factors in the future, the company said, such as a rise in labour and material costs, difficulty in procuring some materials and official tightening of credit in Japan.

As far as it could see, however, demand for Hitachi's goods was still likely to be quite strong.

Hitachi plans to defer part of its capital outlays for plant and investments until next year, to co-operate with the Government's programme to cool off the economy, it revealed. It had originally planned to invest Y43,000m. of which Y5,000m. will now be deferred.

Hitachi said it was aiming at developing itself into a multinational company in view of the "severe conditions" surrounding its exports.

With this in mind, it had established joint ventures in Malaysia and Singapore for semi-conductors and electric home appliances and was looking for a plant site in Western Europe. The object was to increase the group's overseas production to 10 per cent. from the present 3 per cent. of total group output.

Reuter.

Talga debut

TALGA, the Sydney property and pastoral company, has announced a maiden dividend of 10 per cent. and a profits increase of 409 per cent. Pre-tax profits of $A651,000 (against $A159,000) for the year ended June 30 include an extra-ordinary item of $A71,000.

Salzgitter profits up

By Andrew Hargrave

FRANKFURT, Se[illegible]

THE SALZGITTER group, [illegible] includes West Germany's [illegible] largest steelworks as well [illegible] of its major shipbuilding con[illegible]cerns, Howaldtswerke-D[illegible] Werft (HDW) reports a [illegible]erable expansion in sales [illegible] first nine months of the [illegible] financial year.

Total sales increase[illegible] DM1,000m. (or 23 per ce[illegible]) DM5,3000m. For the wh[illegible] which ends at the end [illegible] month a turnover of [illegible] DM7,000m. (DM6,100m. [illegible] 73) is predicted.

Indices

NEW YORK

DOW JONES AVERAGES

Close	Home Bonds	Transport	Indus	Util.	Trading volume 000's
Sept. 7	72.07	162.38	898.63	100.84	14,950

STANDARD AND POORS U.S. STOCK INDICES

	*Ind. Ord.	†Composite
Sept. 7	117.48	104.76
6	117.55	105.15
5	117.56	104.64
Aug. 31	117.21	104.25
30	116.55	101.58
29	117.07	104.01
28	115.59	102.02
27	115.18	101.42
24	114.22	101.62
23	114.61	101.91
1973 High	124.07 (5.1)	120.17 (5.1)
1973 Low	112.97 (22.8)	100.53 (22.8)

* 425 Industrials. † 425 Industrials, 50 Utilities, 25 Rails

STOCK AND BOND YIELDS

	Sept. 5	Aug. 29	Sept. 7 1972
Ind. Ord. yield pc	2.97	2.99	2.57
Ind. Ord. p/e ratio	15.08	15.03	19.12
Long-term Govt. Bds. pc	6.17	6.36	5.58

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Fed. Nat. Mort.	271,300	20¼	+⅛
Chromalloy	200,500	12	—
Panhandle Pipe	173,400	30¼	+⅜
U.S. Industries	166,300	13⅛	+⅜
Phillips Petrolm.	162,400	54⅝	−1⅞
Disney (Walt)	146,900	79	−2¼
Amer. Tel. Tel. Wts.	135,600	5⅛	—
T. R. W.	125,300	25	−⅛
First Nat. City	115,000	47½	−⅛
Texaco	110,000	29⅛	−⅛

IND. DIVIDEND YIELD p.c.

Aug. 31	Aug. 24	Sept. 1, 1972
3.79	3.89	3.22

N.Y. S.E. ALL COMMON INDEX

RISES AND FALLS

AMERICAN S.E. ALL STOCKS AVERAGE

TORONTO

INDUSTRIAL INDEX

Sept. 7	Sept. 6	1973 High	1973 Low
217.04	216.66	223.50 (12.1)	202.42 (22.5)

MONTREAL

INDUSTRIAL INDEX

Sept. 7	Sept. 6	1973 High	1973 Low
249.93	248.40	258.72 (12.1)	206.53 (22.5)

COMBINED INDEX

Sept. 7	Sept. 6	1973 High	1973 Low
230.68	229.56	240.25 (12.1)	206.53 (22.5)

JOHANNESBURG

	Sept. 7	Sept. 6	High	Low
Industrials	275.6	277.0	292.1 (10.7)	238.8 (5.2)
Gold	204.4	208.7	237.7 (6.1)	123.4 (10.4)

(1958=100). Source: Rand Daily Mail.

MELBOURNE YIELDS

Av'ge yield on 50 Leading Stocks	Sept. 6	Aug. 30	Aug. 23
On Dividends	4.90	4.95	4.63
On Earnings	8.16	7.96	7.40

SYDNEY ALL ORD. INDEX

Sept. 7	Sept. 6	High 1973	Low 1973
504.09	503.25	637.23 (19/1)	506.52 (29/8)

HONG KONG INDEX⊕

Sept. 7	Sept. 6	High 1973	Low 1973
552.60	561.01	1,774.96 (9/3)	494.50

SINGAPORE INDEX §

Sept. 7	Sept. 6	High 1973	Low 1973
296.00	295.45	611.36	289.71 (4/9)

TOKYO NEW SE INDEX†

Base=100 January 4, 1968.

Sept. 8	Sept. 7	Div. %	Yield %
360.92	357.94	11.90	2.02

1973 High 422.43 (24.1) Low 340.11 (25.4)

EUROPE

	Sept. 7	Previous	1973 High	1973 Low
Belg'm(m)	132.90	122.77	142.55 (22/6)	123.11 (2/1)
Denm'rk(c)	124.74	126.42	128.95 (10/6)	120.28 (6/7)
France(bb)	84.7	84.7	98.9 (4/6)	79.3 (3/1)
Germany*	95.02	94.91	120.71 (23/3)	89.90 (27/7)
Holland(o)	146.1	145.8	171.9 (13/4)	144.1 (25/6)
Italy†	116.20	118.69	147.28 (19/6)	98.25 (16/2)
Sweden(p)	358.15	355.45	329.84 (10/7)	362.18 (6/9)
Switzer'l'd**	349.6	347.4	460.1 (27/1)	338.6 (4/9)

* Herstatt Index Base Dec. 31, 1969. ‡ Base 100 Jan. 2, 1972. ** Swiss Bank Corporation Index base 100 Dec., 1962. (c) Closed. (m) Base 1963. (o) Base 100 1963. (p) Base Dec. 29, 1956. (bb) Paris Bourse Committee, base 100 1961. (d) Base 100 January 1, 1973. † Base 100 Jan. 4, 1968. ⊕ Hang Seng Bank, base 100 July 31, 1964. § Straits Times Industrial, base 100 1966.

AUSTRALIAN WEEKLY LIST

TEL AVIV STOCK EXCHANGE

Kr. Mr Mukhas. Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

SINGAPORE PRICES

JOHANNESBURG

MINES

INDUSTRIALS

CANADIAN WEEKLY LIST

AUSTRALIA

Reckitt & Colman	
Repco	
St. James Properties	
Slater Walker	
H. C. Sleigh	
Southland Mining	
Stocks & Holdings	
Tooth (SI)	
Unichrome	
Waltons	
Western Mining (50 cents)	
Woolworths	

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

GERMANY ♦

AMSTERDAM

STOCKHOLM

VIENNA

PARIS

SWITZERLAND ♦

BRUSSELS

OSLO ♦

MILAN

Sept. 7	Price Lire	+ or −
Alitalia Priv.	7,900	
ANIC	1,084.5	−14.5
Bastogi	1,625	−38
Breda	4,210	−120
Burgo	11,110	−190
Centrali	16,200	−800
CIGA	7,690	−101
Cucirini	7,950	+100
Dalmine	366	−20
Erba	12,510	−190
Fiat	2,500	−25

TOKYO ¶

COPENHAGEN

SPAIN

AUTHORISED UNIT TRUSTS (p★★★)

OFFSHORE AND OVERSEAS FUNDS (p★★★)

Morgan Grenfell Fds Mgt (CI) Ltd				
18 Pollet St., St. Peter Port, Guernsey, C.I.				
Channel Islands..	94.1	99.1	......	—
Murray, Johnstone (Inv. Adviser)				
163, Hope St., Glasgow, C.2.				
*HopeStreetFund		US$21.48	......	—
†Murray Fund....		US$8.57	......	—
* NAV Aug. 31. † NAV Aug. 31.				
Negit S.A.				
10a, Boulevard Royal, Luxembourg.				
NAV Aug. 31 1973		US$10.55	......	—

p Prices ... except where otherwise indicated. a Offered prices include all expenses. b To-day's prices. c Yield based on offer prices. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains. § Guernsey yield. ∮ Suspended. —Not available, exchange restrictions. ◆ Prices not including $ Premium.

ICI withdraws Grofas from sales range

ICI Pharmaceuticals division is to withdraw Grofas, the anti-bacterial growth promoter for use in pig, poultry and calf feedstuffs, from its sales range.

The group said: "The precautionary step to withdraw Grofas has been taken following the discovery in some test animals of tumours when fed a level of intake far greater than would be absorbed by humans or farm animals.

"ICI emphasises strongly that all the available evidence shows there is no danger to the public who consume meat from animals given Grofas-Containing feeds, to farmers and others handling pre-mixes and those feeds containing Grofas, or to farm livestock."

INSURANCE, PROPERTY, BONDS

Abbey Life Assurance Co. Ltd.				
1-3, St. Paul's Churchyard, E.C.4. 248 9111				
Abbey Eq. Aug. 30	30.0	31.6	......	—
Do. Acc Unit Aug 30	29.8	29.0	......	—
Do. Abbey Pr Sept 5	152.3	160.4	+5.9	—
Do. Acc Unit Sept 5	134.8	141.7	+5.4	—
Do. Pen Unit Sept 5	138.0	145.3	+5.7	—
Selective Ind Aug 30	67.7	71.3	......	—
Do. Pen Unit Aug 30	59.1	62.3	......	—
Atlantic Assurance Co. Ltd.				
Atlantic Hse., Billingshurst. B'hurst 3155				
All-w'ther Ac. Uts.	95.0	100.0	......	—
♥Inv'ment Fd Units		132.5	......	—
Pension Fd Units.		127.0	......	—
Barclays Griffin Life Ass. Co. Ltd.				
Unicorn Hs. 252 Romford Rd. E7 01-555 1211				
Barclay Bonds....	92.4	97.3	......	—
Current unit value August 28.				
Wm. Brandt's Sons and Co.				
36, Fenchurch St., E.C.3.				
Brandts Ex'mpt...	91.7	94.1	......	7.59
Canada Life Assurance Company				
6, Charles II Street, S.W.1. 01-930 6122				
Growth Fd Sept. 3		60.1	......	—
Ret'mt Fd Aug. 6.		108.7	......	—
Cannon Assurance Ltd.				
1 Olympic Wy Wmbly HA9 0NB 01-902 8876				
♥Balanced Units..		910	—2	—
♥Equity Unit......		£12.14	—0.04	—
♥Property Unit....		745.0	—1.0	—
♥Exec. Bal'd Unit		910.0	—2.0	—
♥Exec. Eq'ty Unit		£27.0	—5.0	—
♥Exec. Prop. Unit		909.0	......	—
Current unit value Sept. 5.				
♥Balanced Bond...	910	963	—2	—
♥Equity Bond.....	£27	875	—5	—
♥Property Bond...	909	£10.47	......	—
Capital Life Assurance				
28, Throgmorton Street.				
Key Inv. Aug. 5.		124.09	......	—
The City of Wstmnstr. Assur. Soc.				
Ringstead House, 6, White Horse Rd., Croydon CR0 2JA. 684 6944				
♥First Units Jne 30	71.1	74.7	......	—
♥Pr'ty Un's Aug 31	47.6	50.0	......	—
The City of Wstmnstr. Ass. Co. Ltd.				
Ringstead House, 6, White Horse Rd., Croydon CR0 2JA. 684 6944				
♥W'stmnr Uts Aug 31	42.0	44.1	......	—
♥Land Bank Jne 30		50.0	......	—
♥Speculator Jne 30		41.5	......	—
♥Prop Auty Jly 31		144.00	......	—

Life & Equity Assurance				
Northcliffe House, Colston Ave., Bristol BS1 4XB				
♥Sel. Inv. Aug 20	42.0	44.5	......	—
♥Sel. Bn. Aug 20	56.5	60.0	......	—
Life Assur. Co. of Pennsylvania				
39-42, New Bond St., NW1Y 0RQ				
♥ACOP Units......	922	966	......	—
Lloyd's Life Assurance Ltd.				
12, Leadenhall St., EC3M 7LS				
Royal Insurance Group				
1 North John St., Liverpool				
♥Royal Shield Fnd	105.1	109.0	......	—
Save and Prosper Group				
4 Gt. St. Helen's, London, E.C.3.				
♥Bal'ned Inv. Bd	95.0	100.0	......	—
♥Equity Bonds...	[illegible]	[illegible]	—0.1	—
Equity Pens. on Fd	94.9	99.9	+0.3	—
♥Mini Bonds.....	[illegible]	[illegible]	......	—
♥Property Fds..	115.6	121	......	—

UNIT TRUST PRICES

SHARE INFORMATION SERVICE: NOTES

...denominations are 25p and ...dends are in gross percentage terms. ...mated price-earnings ratios and ...are adjusted to corporation tax of 50 per cent. on imputation system effective ...P/Es calculated on "net" ...tion: bracketed figures indicate ...per cent. or more difference if calculated on "all" earnings. Covers are ...on "full" earnings. ...based on middle prices are gross ...allow for value of declared distributions and rights. ...and lows marked thus have been adjusted to allow for rights issues for cash. ...Interim (or quarterly) since increased or resumed. ...Interim (or quarterly) since reduced, passed or deferred. ...Not comparable: net dividends paid ...figures or report awaited.

...tions may preclude calculation of dividends cover. § Price at time of suspension. ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast. ∆ Indicates interim dividend since paid where none was paid before. •• Convertible loan stock issue in existence. ◆ Merger bid or reorganisation in progress. ♣ Special deposit certificates. ● Same interim: reduced final and/or reduced earnings indicated. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend. ‡ Cover does not allow for shares which may also rank for dividend at a future date. No p/e ratio usually provided.

‖ No par value. ¶ Actual, or net; yield gross. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k After local taxes. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividends and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, p/e ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Tax free up to 30p in the £. w Yields allow for currency ... include a special payment; cover does not apply to special payments.

A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Figures based on prospectus or other official estimates for 1973. F Figures based on prospectus or other official estimates for 1972-73. G Assumed dividend and yield after pending scrip and/or rights issue. H Excluding refunds of U.S. Capital Gains Tax. J Figures based on prospectus or other official estimates for 1972. M Figures based on prospectus or other official estimates for 1973-74. N Equivalent rate before additional capital was paid up. P Yields based on 1967 payments. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all.

Money & Exchanges

Bank of England Minimum Lending Rate 11½%
(since July 27, 1973)

Day-to-day credit was in full supply in the London sterling money market throughout last week, and the unusual occurrence ...of the Discount houses balancing their books each day without official intervention. Short-term fixed period rates reflected the day-to-day position, and the three-month sterling certificate yield fell to 13⅝-13⅜ per cent. on balance, from the previous Friday's 14⅛-14⅛ per cent. Some sharp falls in the pound in the foreign exchanges lent support to interest rates, however, and the lowest three-month certificate rate of the week was 13½-13¼ per cent on Tuesday, while the 12-month rate was a little firmer on balance, at 14-13⅞ per cent., aginst 13⅞-13¾ per cent.

A net Treasury bill take-up, adjustments of special deposit totals, official holdings of commercial bills and foreign exchange settlements, were against the market's favour, but there was a fall in the note circulation and Government disbursements exceeded revenue transfers to the Exchequer.

Sterling fell sharply last week, with its trade-weighted average depreciation since the Washington Currency Agreement of December, 1971, widening to 19.07 per cent., from 17.12 per cent. previously, and touching a record 20.35 per cent. on Thursday morning, when a strong bout of selling was in progress. In terms of the U.S. dollar, the pound lost some 1.57 per cent. on balance, ending at $2.4190-2.4210, against the previous

Bank base rates Page 39

$2.4580-2.4590, and touching $2.3800, its lowest since early February, at one point on Thursday. Official support was given to the pound. Relatively low domestic interest rates on Tuesday played a part in starting heavy selling of sterling, but broader economic factors played a major role. News of the renewal of the sterling guarantees arrangements helped the pound on Friday, a day when news of rising wholesale prices in the U.S. weakened the dollar.

Gold rose $2 an ounce on balance in London $105-106, touching $106¼-107¼ on Wednesday morning.

EURO-CURRENCY INTEREST RATES ◇

FOREIGN EXCHANGES

Sept. 7 1973	Bank Rate %	Market Rates: Day's Spread	Market Rates: Close
New York	7½	2.4115-.4256	2.4190-.4210
Montreal	6¾	2.4385-.4430	2.4380-.4400
Amst'dam	6½	6.40-.45	6.40¼-.41¼
†Brussels	5½	89.70-90.50	89.85-90.10
Copen'gen	8	15.79-.85	5.80-.82
Frankf'rt	7	5.84-5.90	5.85½-.86½
Lisbon	5¾	55.93-56.70	56.00-56.50
Madrid	††6	137.00-138.00	137.10-.60
ΦMilan	4	1,362-1,370	1,363-1,366
Oslo	4½	13.41-.48	13.42-.44
‡Paris	9½	10.31-.37	10.34-.36
Stockh'lm	5	10.19-.25	10.19½-.21½
Tokyo	7	635-645	640-643
Vienna	5½	43.00-44.00	43.30-.70
Zurich	4½	7.24-.34	7.25-.26

†† Basic discounts. ∆ Bank of Portugal discount rate. † Rates given are for convertible franc; closing financial franc 90.70-90.90. ‡ Rates given are for commercial franc; closing financial franc 10.46-10.49. Φ Rate given is commercial; closing financial rate 1,437-1,445

OTHER MARKET RATES

FORWARD RATES

CORAL INDEX
Close 411-416

A copy of this document having attached thereto the documents specified below has been delivered to the Registrar of Companies for registration. This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Application has been made to the Council of The Stock Exchange for the whole of the issued share capital of the Company to be admitted to the Official List.

On 8th August, 1973, the Company entered into an Agreement ("the Agreement") to acquire the whole of the issued share capital of Imperial Hotel Blackpool Limited ("Imperial") and Drucintown Hotels Limited ("PH"). The Agreement is now conditional only upon the admission to the Official List by the Council of The Stock Exchange of the whole of the issued share capital of the Company including the shares in the Company issued pursuant to the Agreement. This document has been prepared on the basis that Imperial and PH have already become subsidiaries of the Company and that certain matters that have been agreed to take effect on completion of the Agreement have already taken effect.

PRINCE OF WALES HOTEL COMPANY

SOUTHPORT, LIMITED

Registered Number 9821C; England

(Incorporated under the Companies Acts 1862 and 1867 and the Companies Consolidation (1908) Act)

Authorised	SHARE CAPITAL	*Issued and to be issued fully paid*
£350,000	Divided into 1,400,000 Ordinary Shares of 25p each	£282,500

At 29th August, 1973, the Company and its subsidiaries ("the Group") had outstanding bank overdrafts and mortgages of £295,504 of which £139,986 is secured. Save as aforesaid neither the Company nor any of its subsidiaries had outstanding any borrowings or indebtedness in the nature of borrowing, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, charges, hire purchase commitments or guarantees or material contingent liabilities at that date.

This document is issued in connection with a placing by

First National Industrial Trust Limited

of 160,000 Ordinary Shares of 25p each at 160p per share

DIRECTORS

Arnold Michael Clayman (*Chairman*), 189 Bickenhall Mansions, Baker Street, London, W.1.
Richard Whittaker, Tudor House, 402 Devonshire Road, Blackpool, Lancashire.
Charles Maxwell Ausden, Spring Cottage, Wellbank Lane, Over Peover, Cheshire.
Frank Noel Bright, Noemary, Abersoch, Pwllheli, Caernarvonshire.
Charles Rainford Gaulter, 414 Devonshire Road, Blackpool, Lancashire.
Walter Ernest Spencer Hooper, 7 Bickerton Road, Southport, Lancashire.
James Mawdsley, Phylja, 55 Waterloo Road, Southport, Lancashire.
Jack Saxton White, Imperial Hotel, North Shore, Blackpool, Lancashire.
Michael Albert Knee, 137 Palace View, Bromley, Kent.

BANKERS

National Westminster Bank Limited,
253 Lord Street, Southport, PR8 1PB and Clifton Street, Blackpool FY1 1JE.

BROKERS

Joseph Sebag & Co.,
Bucklersbury House, 3 Queen Victoria Street, London EC4N 8DX, and The Stock Exchange.

SOLICITORS

Clifford-Turner & Co., 11 Old Jewry, London EC2R 8DS.
Franks, Charlesly & Co., 21 Ely Place, London EC1N 6TE

REPORTING ACCOUNTANTS

Whinney Murray & Co. (*Chartered Accountants*),
Winchester House, 89 Fountain Street, Manchester M2 2FP.

AUDITORS

Davies & Crane (*Chartered Accountants*),
Hoghton Chambers, Hoghton Street, Southport, Lancashire PR9 0TB.

REGISTRARS AND SECRETARIES

Leigh, Lawler & Hooper (*Chartered Accountants*),
156 Lord Street, Southport, Lancashire PR9 0QD.

REGISTERED OFFICE

Prince of Wales Hotel, Lord Street, Southport, Lancashire PR8 1JS.

HISTORY AND BUSINESS

The Company

The Company was incorporated in England on 2nd September, 1875, to acquire an hotel in Southport then called the Union Hotel, and an adjoining site. The Hotel was later renamed the Prince of Wales Hotel and rebuilt, over the whole site acquired, during the 1890's. The Company acquired the Royal Hotel in Southport during the early part of this century and has, except for a period during and after the Second World War when the hotels were requisitioned by the Government, carried on the business of hoteliers through these two hotels. The Prince of Wales Hotel, which is the leading hotel in Southport, is situated in a prominent position on Lord Street and is rated four star by the Automobile Association and the Royal Automobile Club. The accommodation comprises 65 double or twin rooms, 31 single rooms and 6 suites of 2 or 3 rooms. In addition the Hotel is well supplied with restaurant facilities for guests and functions. The Royal Hotel is situated on the promenade overlooking the sea front and is rated three star by the Automobile Association. The accommodation comprises 43 double or twin rooms, 10 single rooms and 1 suite of 3 rooms.

As mentioned above the Company has acquired the whole of the issued share capitals of Imperial and PH in consideration for the allotment of 650,000 Ordinary Shares of 25p each credited as fully paid ranking *pari passu* in all respects with the existing 480,000 issued Ordinary Shares of the Company. In view of the size of this transaction, the Company requested The Stock Exchange to suspend temporarily the listing of the Company's share capital and application has now been made for the restoration of the Company's listing on The Stock Exchange after the publication of this document. On the basis of the share price of 175p per share at suspension the notional total purchase price of Imperial is £831,654 and of PH is £305,846.

Imperial and PH

Imperial was incorporated in England on 13th September, 1897, to acquire the business and undertaking of the Imperial Hydropathic Hotel Company, Blackpool, Limited. On 13th May, 1957, the name of Imperial was changed to its present name. Imperial owns the Imperial Hotel at Blackpool which, like the Prince of Wales, has a four star rating by the Automobile Association and the Royal Automobile Club. The accommodation comprises 126 double or twin rooms, 17 single rooms and 6 suites of 2 rooms each. The facilities include an indoor swimming pool and night club. The major part of Imperial's trade is derived from conferences, functions and trade fairs. Imperial is a public company and was quoted on the Northern and the Provincial Brokers Stock Exchanges until March, 1972, when the listing was suspended upon the Company being taken over by Poonmudi Holdings Limited ("Poonmudi"). As a result of an agreement entered into in February, 1972, referred to in Clause 4 (g) in Statutory and General Information, the whole of the issued share capital of Imperial was sold by Poonmudi to Mr. A. M. Clayman, and his associates, Mr. B. Clayman and Mr. C. Berlin, the Vendors under the Agreement.

PH owns the Park House Hotel at Blackpool, which is next door to the Imperial. The accommodation comprises 102 rooms. This hotel is under the same management as the Imperial but provides a more modest standard of service. It has not been rated by the Automobile Association or the Royal Automobile Club as it has only recently acquired a full liquor licence, but applications for classification have been made.

PH was incorporated in England on 19th February, 1973, and acquired the Park House Hotel, Blackpool, from Metropolis Hotel Services Limited ("MHS"), a company wholly owned by Mr. A. M. Clayman and his associates. MHS purchased the Park House Hotel in December, 1972, as Mr. A. M. Clayman saw considerable commercial advantages accruing from owning two hotels of different standards next door to each other. Park House Hotel was run as an hotel for a number of years by its previous owners, but audited accounts are not available. In view of the change of management and in the method of operation of Park House Hotel, it is not considered that such information would be of assistance.

VALUATION OF HOTELS

Valuations of the four hotels which are owned by the Group were made on 1st June, 1973, by Knight, Frank & Rutley, Surveyors. Extracts from the Reports and Valuations including the basis of valuation are set out below. It is the intention of the Directors that the amounts of these valuations be incorporated into the accounts of the companies concerned.

The Directors,
Prince of Wales Hotel Company, Southport, Limited,
156 Lord Street,
Southport PR8 1JS.

20 Hanover Square,
London, W.1.

1st June, 1973.

Dear Sirs,

We have inspected the following properties and the appended figures represent our opinion of current value on the undermentioned basis of valuation:—

Description	*Tenure*	*Value* £
Prince of Wales Hotel, Southport	Freehold	548,600
Staff House, 72 King Street, Southport	Leasehold	8,000
The Royal Hotel, Southport (including lock-up shop and car park)	Freehold	212,000

Yours faithfully,
KNIGHT, FRANK & RUTLEY.

The Directors,
Imperial Hotel Blackpool Limited
North Promenade.
Blackpool FY1 2HB.

20 Hanover Square,
London, W.1.

1st June, 1973.

Dear Sirs,

We have inspected the following properties and the appended figures represent our opinion of the current value on the undermentioned basis of valuation:—

Description	*Tenure*	*Value* £
Imperial Hotel, Blackpool	Freehold	912,000
The Park House Hotel, Blackpool	Freehold	207,000

Yours faithfully,
KNIGHT, FRANK & RUTLEY.

Basis of Valuation

1. The hotels have been valued as freehold fully licensed going concerns, inclusive of trade furniture, furnishings and equipment, as between a willing vendor and a willing purchaser.

2. The Staff House, 72 King Street, Southport, is held on a lease for a term of 999 years from 1898 at an apportioned ground rent of £5·20 per annum and has been valued as a leasehold staff hostel on a going concern basis as between a willing vendor and a willing purchaser.

3. We have not made a structural survey of any of the properties nor have we tested any drainage, electrical, or other installations but nevertheless have noted the general condition of the properties in arriving at our valuation. We have taken into account that the Prince of Wales Hotel and the Royal Hotel have been the subject of considerable capital and revenue expenditure over a number of years and that the Imperial Hotel has also recently been the subject of considerable capital expenditure.

4. The boundaries of the site have not been checked physically but are presumed to be as indicated on plans with which we were supplied and which are confirmed by the Ordnance Survey sheet.

5. The information with regard to Town Planning aspects was supplied by the Local Planning Authority.

MANAGEMENT AND STAFF

The Board of the Company comprises A. M. Clayman, who joined the Board on 30th January, 1973, and was appointed Chairman on 3rd September, 1973, together with J. S. White and M. A. Knee who were appointed Directors on 3rd September, 1973, and R. Whittaker, C. M. Ausden, F. N. Bright, C. R. Gaulter, W. E. S. Hooper and J. Mawdsley, who have been Directors of the Company since 1950, 1972, 1950, 1966, 1967 and 1970, respectively.

Mr. A. M. Clayman, who is 42, is a Chartered Accountant, and has been actively engaged in the Hotel industry since 1963. He built up a successful group of six hotels in London all but two of which he sold in 1972. He also has Scottish hotel interests. Mr. A. M. Clayman has agreed, for a period of five years from completion of the Agreement, to devote the major part of his time to the business of the Group and to restrict his activities and interests in other public companies, particularly in the hotel and leisure field and not to compete with the Company in the North West of England.

Mr. J. S. White, who is 52, has executive responsibility for the Group's four hotels. He was previously General Manager of the Imperial Hotel and since 1963 has been a Director of Imperial. Mr. J. S. White has entered into a Service Agreement with the Company for a period expiring on 30th April, 1977, further details of which are set out in Material Contract (e) below.

Mr. M. A. Knee, who is 43, is a member of the Institute of Marketing, and has worked closely with Mr. Clayman in the last three years with special responsibility for sales and marketing. Before joining Mr. Clayman he had extensive experience in the hotel industry, including six years with the Forte Group reaching the position of Hotel General Sales Manager.

The non-executive Directors are:—

Mr. C. M. Ausden (52), the Managing Director of Bass Charrington (North West) Limited, a principal shareholder of the Company.

Mr. R. Whittaker (67), the former chairman of the Company and the managing director of a company wholesaling groceries.

Mr. F. N. Bright (64), who has recently retired from the position of managing director.

Mr. C. R. Gaulter (71), a Chartered Accountant and a partner in the firm of Blane, Gaulter and Blane.

Mr. J. Mawdsley (64), a corn merchant.

Mr. W. E. S. Hooper (67), a Chartered Accountant and a partner in the firm of Leigh, Lawler & Hooper, secretaries and registrars to the Company.

Mr. J. T. Hesketh who has served for many years as Manager of the Royal Hotel has recently become General Manager of the Prince of Wales.

Day-to-day management of the Imperial will be in the hands of Mr. P. Crook, who will take up his appointment as General Manager later this month. He was formerly Deputy General Manager at the Café Royal in London.

Inclusive of managerial staff at all the hotels, the total number of staff employed by the Group is approximately 470 and the Directors consider that the staff relations are good and they have experienced little difficulty in obtaining competent staff for the various aspects of the Group's business.

PROFITS AND DIVIDENDS

As can be seen from the Accountants' Report prepared by Davies & Crane and Whinney Murray & Co. shown below, the profit of the Company in respect of the year ended 31st December, 1972, was £37,227. The profit before taxation and extraordinary items of Imperial in respect of the year ended 30th November, 1972 amounted to £47,442. PH was incorporated on 19th February, 1973, and acquired the Park House Hotel on 27th July, 1973, with effect from 12th July, 1973. No audited accounts of PH have been prepared and as is normal in the hotel trade, the bulk of the profits of the hotel is expected to be earned in the second half of the calendar year.

In the absence of unforeseen circumstances, the Board is of the opinion that the profits before taxation and extraordinary items of the Group for the year ending 31st December, 1973, will be not less than £161,000. This figure represents twelve months' profit from the Company (£41,000), thirteen months' from Imperial (£95,000) and five and one-half months' from PH (£25,000).

In respect of the year to 31st December, 1972, a final dividend of 9·1 per cent. was paid to shareholders in June 1973. In the event of the above forecast profit being achieved it would be the intention to pay in June, 1974, a dividend of £26,993 which, together with the associated tax credit, would amount to £38,561, that figure being the maximum permitted under present Government legislation and equal to 9·555 per cent. (2·39p per share). If circumstances permit it would be the intention to pay a higher dividend.

In these circumstances the following table illustrates how a profit of £161,000 would be appropriated:—

	£
Profit before taxation	161,000
Less Corporation tax at appropriate rates assuming a rate of 50 per cent. for the financial year 1973	77,000
	84,000
Less Dividends—2·39p per share	26,993
Retained Profit	£57,007

The above dividend would be covered 3·11 times by the expected earnings for 1973 referred to above and, based on the placing price of 160p per share, the gross dividend yield would be 2·13 per cent. and the price earnings ratio would be 21·5.

PROSPECTS

After Mr. A. M. Clayman obtained control of Imperial in March, 1972, techniques, which had been used during the development of his London hotels in particular strong marketing and tight financial control, have been applied to its operation. As a consequence, as can be seen from the Accountants' Report, the net profit before taxation and extraordinary items which was £21,158 for the year to 30th November, 1971, was increased to £47,442 for the year to 30th November, 1972, and a profit forecast of £95,000 for the thirteen months to 31st December, 1973, has been made. It is proposed to adopt these proven policies with the Prince of Wales Hotel, the Royal Hotel and any future acquisitions.

The Group which now owns four hotels on the North West coast of England, with accommodation for 725 guests, has considerable facilities to benefit from the fast growing conference trade. It is the intention of the Directors to expand both by developing the existing hotels to their full potential and by acquisitions in the hotel field with particular emphasis on the North West of England. It is the Directors' view that many opportunities exist for profitable investment in hotels combining tourist, local and conference trade whose prospects can be improved by the benefit of the Directors' connections and expertise. The Directors consider that, as well as the continuing growth in tourism by overseas visitors there will also be a larger number of British residents spending holidays in Britain and intend to take vigorous steps to obtain an important share of this market. As a first step, Mr. A. M. Clayman and his associates have granted to the Company options to take over at cost two projects in which they are interested. Details of these are set out in material contracts (c) and (d) below.

WORKING CAPITAL

Having regard to available bank facilities the Directors are satisfied that the Group will have sufficient working capital for its present requirements.

ACCOUNTANTS' REPORTS

(1) The following is a copy of a joint report on the Company received from Davies & Crane, Chartered Accountants and Whinney Murray & Co., Chartered Accountants:—

3rd September, 1973.

The Directors,
Prince of Wales Hotel Company, Southport, Limited
Lord Street,
Southport PR8 1JS.

Gentlemen,

We have examined the audited accounts of Prince of Wales Hotel Company, Southport, Limited ("the Company") for the five years ended 31st December, 1972.

1. TURNOVER AND PROFITS

The turnover and profits of the Company for its financial periods ended 31st December in each of the following years, arrived at on the bases stated below, were:—

	Note	*1968* £	*1969* £	*1970* £	*1971* £	*1972* £
TURNOVER	4.3	578,495	606,187	623,862	662,690	705,713
Cost of goods sold and services given other than items detailed below		506,330	534,166	557,655	588,250	619,960
Repairs and renewals		36,370	39,502	48,588	38,224	44,284
Depreciation		130	97	73	55	41
Bank and loan interest		6,632	7,487	8,623	9,150	8,074
		549,462	581,252	614,939	635,679	672,359
Operating profit		29,033	24,935	8,923	27,011	33,354
Rents received		3 347	3,365	3,413	3,993	3,873
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS		32,380	28,300	12,336	31,004	37,227
Taxation	4.5	14,014	12,172	5,115	11,820	14,940
PROFIT AFTER TAXATION BUT BEFORE EXTRAORDINARY ITEMS		18,366	16,128	7,221	19,184	22,287
Extraordinary items:—						
Annual instalment in respect of option now expired		625	625	625	—	—
Cost of mortgage transfer		(1,219)	—	—	—	—
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		17,772	16 753	7,846	19,184	22,287
Dividends		15,000	15,000	12,000	15,000	10,920
RETAINED PROFIT (CHARGE TO RESERVES)		£2,772	£1,753	(£4,154)	£4,184	£11,367

2. STATEMENT OF NET ASSETS

The net tangible assets of the Company representing shareholders' interests, based upon the audited balance sheet at 31st December, 1972, and after incorporating the valuation by Knight, Frank & Rutley dated 1st June, 1973, and after making such adjustments as we consider appropriate were:—

	Note	£	£
FIXED ASSETS	4.7		
Freehold and long leasehold property		674,600	
Hotel contents		94,000	
Motor vehicle (cost £923, depreciation £800)		123	
			768,723
CURRENT ASSETS			
Stocks of consumables	4.1	37,670	
Debtors		34,936	
Bank and cash balances		1,804	
		74,410	
CURRENT LIABILITIES			
Bank overdraft (unsecured)		46,105	
Creditors		58,237	
Taxation		22,320	
Dividends payable		10,920	
Loans	4.8	5,550	
Provision for capital expenditure to 1st June, 1973		2,292	
		145,424	
NET CURRENT LIABILITIES			(71,014)
			697,709
Deduct:—			
Loans	4.8	57,600	
Pension provision	4.4	10,500	
Tax equalisation account	4.1	4,440	
Estimated capital gains tax on disposal of fixed assets at their value above	4.7	71,500	
			144,040
NET TANGIBLE ASSETS			£553,669
SHAREHOLDERS' INTERESTS			
Share capital			120,000
Reserves—arising from revaluation		330,206	
distributable		103,463	
			433,669
			£553,669

3. BALANCE SHEET SUMMARIES

The net tangible assets of the Company representing shareholders' interests as at 31st December from 19[illegible] (both inclusive), based on the audited balance sheets, with fixed assets at book value and after making [illegible]ments as we considered appropriate were:—

	Note	1967 £	1968 £	1969 £	1970 £	1971 £
FIXED ASSETS	4.1					
Freehold and long leasehold property		224,980	242,071	259,804	267,536	268,788
Hotel contents and motor vehicle		69,969	70,800	73,605	77,032	77,138
		294,949	312,871	333,409	344,568	345,926
CURRENT ASSETS						
Stocks	4.1	38,046	36,557	40,616	39,488	38,381
Debtors		22,199	23,542	26,482	34,062	35,586
Bank and cash balances		1,638	10,572	1,987	2,082	1,721
		61,883	70,671	69,085	75,632	75,697
CURRENT LIABILITIES						
Bank overdraft		82,568	—	10,248	48,153	47,184
Creditors		60,869	45,642	53,194	52,098	52,738
Taxation		23,250	23,468	26,186	17,287	16,936
Dividends payable		15,000	15,000	15,000	12,000	15,000
Loans	4.8	6,370	1,070	5,550	5,550	5,550
		148,057	85,180	110,178	135,088	137,377
NET CURRENT LIABILITIES		(86,174)	(14,509)	(41,093)	(60,456)	(61,680)
		208,775	298,362	292,316	284,112	284,246
Deduct:—						
Loans	4.8	—	(83,550)	(74,250)	(68,700)	(63,150)
Tax equalisation account	4.1	—	—	—	—	—
Pension provision	4.4	(3,000)	(4,500)	(6,000)	(7,500)	(9,000)
NET TANGIBLE ASSETS		£205,775	£210,312	£212,066	£207,912	£212,096
SHAREHOLDERS' INTERESTS						
Share capital		120,000	120,000	120,000	120,000	120,000
Reserves—distributable		85,775	90,312	92,066	87,912	92,096
		£205,775	£210,312	£212,066	£207,912	£212,096

4. ACCOUNTING POLICIES AND NOTES TO TURNOVER, PROFITS AND BALANCE SHEET

4.1. The principal accounting policies of the Company are as follows:—

Fixed Assets

All additions to freehold property are capitalised and no depreciation is charged thereon.

Hotel contents consist of the initial outlay on equipment with additions at cost. Grants received [illegible] deducted therefrom. No depreciation is charged thereon. The costs of repairs or renewals of all equip[illegible] furnishings is charged against revenue.

Depreciation

The motor vehicle is being written off over its expected useful life.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Tax Equalisation

Provision has been made in 1972 for the future corporation tax at 40 per cent. of the excess of capital [illegible] for tax purposes over the normal annual allowances for tax purposes of 15 per cent. of the reducing [illegible] initial expenditure. An equalisation account has been set up in respect of such initial expenditure [illegible] capitalised and it is intended to reduce the tax charge over the six subsequent years by one-sixth of this [illegible]

4.2. The profits attributable to shareholders have been arrived at on the basis of generally accepted [illegible] principles and standards and after making such adjustments as we consider appropriate.

4.3. Turnover represents total hotel receipts for goods and services provided to third parties.

4.4. The emoluments of the Directors of the Company charged in arriving at the profit for the year [illegible] December, 1972, were £6,074 which amount does not include an annual appropriation of £1,500 to a fund [illegible] to provide the pension due under successive service agreements to the former Managing Director, who [illegible] 23rd December, 1973. Under the arrangements now in force, the emoluments to be paid by the Com[illegible] Directors in respect of the year ending 31st December, 1973, will amount to £8,512.

4.5. Taxation has been charged on the reported profits at the relevant corporation tax rate.

4.6. In addition to the annual amounts set aside out of profits to cover the cost of a pension for [illegible] Managing Director, the Company is currently paying pensions out of the annual profits to former employees [illegible] to £640 per annum. No fund exists at the present time for the provision of staff pensions.

4.7. The freehold and long leasehold property and hotel contents have been included in the balance [illegible] valuation by Knight, Frank & Rutley dated 1st June, 1973. The estimated future capital gains tax payable [illegible] calculated at a rate of corporation tax of 30 per cent. applied to the estimated assessable gain if the prop[illegible] disposed of at the above valuation at the present time.

4.8. The loans are as follows:—

Mortgage loan secured on the land and buildings of the Prince of Wales Hotel repayable over 20 years from 1st January, 1969, carrying interest at 7½ per cent. per annum

Unsecured loan repayable within 5 years carrying interest at 3½ per cent. per annum over the finance houses base rate

The loans are stated in the statement of net assets as follows:—

Current liabilities being repayments due in the year to 31st December, 1972

Deferred liabilities

4.9. Commitments for capital expenditure authorised by the Directors at 31st December, 1972, for which [illegible] vision has been made in the accounts amounted to £1,960.

4.10. At 31st December, 1972, the Company was not a close company under the provisions of the In[illegible] Corporation Taxes Act 1970.

5. DIVIDENDS

Dividends declared by the Company in respect of the five financial periods ended 31st December, 1972, were:—

Year ended 31st December	*Issued capital in Ordinary Stock Units of 25p each* £	*Rate* %
1968	120,000	12·5
1969	120,000	12·5
1970	120,000	10·0
1971	120,000	12·5
1972	120,000	9·1

The dividend for the year ended 31st December, 1972, is shown net of advance corporation tax. The divi[illegible] payable under the imputation system of corporation tax and for comparison with earlier periods is equiva[illegible] 13 per cent. gross.

6. ACCOUNTS

No audited accounts of the Company have been made up for any period subsequent to 31st December, 1972.

Yours faithfully,
DAVIES & CRANE WHINNEY MURRAY & CO.

(2) The following is a copy of a report on Imperial received from Whinney Murray & Co., Chartered Accountants:—

The Directors,
Prince of Wales Hotel Company, Southport, Limited.
Lord Street,
Southport, PR8 1JS.

8th August, 19[illegible]

Gentlemen,

We have examined the audited accounts of Imperial Hotel Blackpool Limited ("Imperial") for the five [illegible] ended 30th November, 1972.

1. TURNOVER AND PROFITS

The turnover and profits of Imperial for its financial periods ended 30th November in each of the following [illegible] arrived at on the bases stated below, were:—

	Note	1968 £	1969 £	1970 £	1971 £	1972 £
TURNOVER	4.3	472,150	467,044	494,180	497,812	[illegible]
Cost of goods sold or services given other than items detailed below		412,448	418,191	421,599	444,213	[illegible]
Repairs and renewals		22,561	17,363	24,944	25,825	[illegible]
Bank and loan interest		5,425	6,315	6,424	6,616	[illegible]
		440,434	441,869	452,967	476,654	[illegible]
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS		31,716	25,175	41,213	21,158	47,442
Taxation	4.5	14,143	11,042	16,951	8,560	[illegible]
PROFIT AFTER TAXATION BUT BEFORE EXTRAORDINARY ITEMS		17,573	14,133	24,262	12,598	[illegible]
Extraordinary items (less taxation):						
Legal charges in connection with takeover of Company		—	—	—	—	[illegible]
Extraordinary repairs and renewals	4.6	—	—	—	—	[illegible]
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		17,573	14,133	24,262	12,598	[illegible]
Dividends (excluding amounts waived)		15,000	15,000	15,000	15,000	[illegible]
RETAINED PROFIT (CHARGE TO RESERVES)		£2,573	(£867)	£9,262	(£2,402)	[illegible]

A slow-motion year for the film business

BY ARTHUR SANDLES

THIS IS the time of year when gentlemen from EMI and the Rank Organisation look from their windows on to scenes of sunshine, open shirts and see-through blouses—and groan. Whoever else may be enjoying the hot weather of the past few days, it is not the cinema. Rank makes little secret of the fact that *Live and Let Die*, the Bond film in which Roger Moore picks up the mantle of Sean Connery, has come like the answer to a prayer. *Live and Let Die* is taking more than £20,000 a week at one cinema alone in London, well over twice as much as its nearest rival, *Jesus Christ Superstar*.

Even with inflation, VAT and James Bond, central London cinemas in the last week of August could only manage a total take of £162,894. A year ago the same week produced £206,864. The film world in Britain is running at a pretty low ebb at the moment, even for a business which has long since learned to pick itself up, dust itself down, and launch itself into the next multi-million money-spinning movie.

According to the latest survey by the magazine Cinema TV To-day there are at the moment 11 films in production in Britain involving a total investment of £6.92m. (including one big-budget project). A year ago the total was 21 feature films costing £8.56m.

It is worth noting, of course, that the cinema business and the film business are not the same. Domestically at least, either one could, in theory, exist without the other. Film-makers could devote their attention to foreign markets, technical films, television productions, cassettes and material for possible multi-channel cable TV. The cinema could use even more foreign products than it does at the moment. In practice the two are irrevocably intermingled, with considerable interdependence and, in Britain at least, a vast cross-fertilisation of investment cash.

But it does not follow that the success of one means the other is happy too. The cinema may well have a run of boom pictures—as it did last year with films like *The Godfather* and *The French Connection*—with little, if any, spin-off for British studios.

And it is on film-making that attention has been focused in the past two weeks. The Association of Cinematograph, Television and Allied Technicians produced a closely reasoned argument for its hardy perennial, nationalisation, but this time won rather more attention than usual. Mr. John Terry, chief executive of the State's last lingering finger in the commercial film pie, the National Film Finance Corporation, looked sad and almost apologetic when he produced his latest annual report. And as a backdrop to this other activity the saga of Shepperton Studios rumbles on—this time with the Vavasseur group attempting the rationalisation and the ACTT saying: "Not one job lost; not one acre sold."

"The French Connection": a boost for British cinemas, but not for British studios

The ACTT case for complete State control of the film and cinema business, with no-compensation take-overs of Rank and EMI, may be pretty tenuous in places but it stems from a serious alarm about the state of the film industry. It is based on the fact that the British film business relied over-much on American cash in the 1950s and 1960s and was very severely hit when that money retreated. Several U.S. companies simultaneously hit management and financial troubles three years ago. The union can and does argue that television is half State-owned, via the BBC, and that this ownership to some extent bolsters the quality level of British television.

The union is extremely damning about the current position of the film business: "To-day the situation in the industry has become even more serious (than it was three years ago). The future of a major studio, Shepperton, is threatened by City speculators. The future of EMI's studio is now in doubt. Many of the long-established sponsored film units are eliminating their permanent technicians.

"The small percentage of permanently employed film technicians continues to face casualisation. Production schedules are being slashed which results in less work and excessive overtime. Producers take advantage of the casualised labour force by pressurising members to accept 'all-in' deals which subvert established agreements.

"New technologies threaten further casualisation and further unemployment."

Behind all this is the fact that no one in recent years, with the possible exception of Walt Disney, has found anything like the perfect formula for regular financial success on a grand scale. In days of high interest rates and rapidly changing entertainment fashion, no investor can afford to wait around for a return in his money. So films tend to be low budget and made quickly when they are made at all. In these conditions it is no wonder that the accent is on technological improvement and the elimination of permanent personnel at large studio complexes. When 20th Century Fox spent $27m. on *Hello Dolly* in 1969/70, starring Barbara Streisand, the film reputedly lost $12m. and its message echoed around the trade.

In Britain the result has been a measure of conservatism. EMI has a £6m. revolving fund for film-making which actually produces a healthy return. About £5m. of this cash will be "revolving" into new pictures over the next year or so. The list may not delight the culture-vultures, but will almost certainly bring EMI's entertainment head Bernard Delfont further income. If Delfont lost money on the films, EMI could hardly be blamed for retreating—a blow from which the British film business would find it difficult to recover.

Much of what EMI, and Rank for that matter produces is middle-of-the-road family material. The cinema generally is desperately short of such films. At the moment in London of 44 central cinemas 24 are showing X films, seven AA, nine A, and only four U.

Well, if there is such a shortage, why doesn't the film business provide the material? Basically because bread-and-butter pictures bring bread-and-butter returns. EMI and Rank, with their own outlets, know their market intimately and can assess what their cinemas require. An outsider, making films speculatively, is faced with a more tricky decision. He is making the film probably as an investment venture for a bank or group of individuals. Thise individuals do no have the need to fill cinema seats on a regular basis in the same way as Rank and EMI—their need is a rapid and hopefully large return on their investment. The sort of pictures which make large amounts of money tend to be "different" *Midnight Cowboy, Clockwork Orange, Fritz the Cat*—or relatively expensive to make — *The Godfather, The French Connection, Live and Let Die*.

In this situation it is hardly surprising that speculative film-making tends to go for the "different" movie, often with an X certificate. After a successful first effort there may be a run of follow-ups until the barrel is scraped, such as the succession of Shaft pictures which are following the first adventures of the virile black private detective, or the various Planet of the Apes films that came after the original.

In Britain there is a third possibility, and one which has attracted the National Film Finance Corporation. That is the support of big screen versions of television successes.

It is with a measure of embarrassment that the NFFC reveals its backing of films like *Steptoe and Son Ride Again*, and *Ooh! . . . You Are Awful*, both of which have had its cash over the last year. This is not because of the films themselves—there is little room for élitism in the commercial film business—but because that is not really what the NFFC should be doing.

While it is difficult to see where the film-making business goes from here, the same may not be true of cinemas. In their case the pattern is clear. Takings overall continue to dip rapidly. In the pre-VAT month of March this year, usually a peak month, the weekly average of admissions was 2.74m. compared with 3.48m. in 1972, and the weekly average box office take was £1.14m. compared with £1.26m. In the first quarter of the year there were nearly 7m. fewer cinema visits than in the same period of 1972.

The April and May figures continued the trend. May 1973 was 19 per cent. down on 1972.

But, oddly enough at first sight, the actual number of cinemas is increasingly rapidly. At the end of June this year there were 1,594 cinemas in Britain, which was 60 more than a year earlier. In the first half of the year 53 cinemas closed but another 91 opened and 39 former closures became active outlets again. And the pace is accelerating.

What is happening, of course, is that a large number of the High Street barns of the 1930s, which sometimes held 2,000 people, are closing. They are being replaced by 500-seaters or less, or perhaps being "doubled" or "tripled" into mini-cinemas which afford the exhibitors more flexibility in programming and give the audience a wider choice.

However, even with low budget small cinemas, the business will have to fight hard to prove that it can hold its place in the competition for leisure investment against pubs, discotheques, squash courts and hamburger houses.

PRINCE OF WALES HOTEL COMPANY, SOUTHPORT, LIMITED—*continued*

1. STATEMENT OF NET ASSETS

The net tangible assets of Imperial representing shareholders' interests, based upon the audited balance sheet at 30th November, 1972, and after incorporating the valuation by Knight, Frank & Rutley dated 1st June, 1973, and after making such adjustments as we consider appropriate were:—

	Note	£	£
FIXED ASSETS	4.7		
Freehold property			822,000
Hotel contents			90,000
			912,000
CURRENT ASSETS			
Stock of consumables	4.1	22,651	
Debtors		60,908	
Cash in hand		1,287	
		84,846	
CURRENT LIABILITIES			
Bank loan and overdraft	4.10	110,444	
Creditors		128,722	
Taxation		11,806	
Provision for completion of refurbishing scheme		33,000	
		283,972	
NET CURRENT LIABILITIES			(199,126)
			712,874
Deduct: Debentures	4.8		80,000
			632,874
Estimated capital gains tax on disposal of fixed assets at their value above			70,000
NET TANGIBLE ASSETS			£562,874
SHAREHOLDERS' INTERESTS			
Share Capital			100,000
Reserves—arising from revaluation			402,083
distributable			60,791
			£562,874

2. BALANCE SHEET SUMMARIES

The net tangible assets of Imperial representing shareholders' interests as at 30th November from 1967 to 1972 (both inclusive), based on the audited balance sheets with fixed assets at book value, and after making such adjustments as we consider appropriate were:—

	Note	1967 £	1968 £	1969 £	1970 £	1971 £	1972 £
FIXED ASSETS	4.1						
Freehold property		257,318	260,151	260,308	273,026	296,660	347,139
Hotel contents		36,303	37,008	37,008	37,137	38,011	64,978
		293,621	297,159	297,316	310,163	334,671	412,117
CURRENT ASSETS							
Stocks	4.1	14,244	16,239	14,992	20,409	20,161	22,651
Debtors		24,249	26,587	24,651	36,937	31,317	60,908
Cash in hand		947	997	1,182	1,212	1,217	1,287
		39,440	43,823	40,825	58,558	52,695	84,846
CURRENT LIABILITIES							
Bank loans and overdrafts		18,815	29,698	26,151	40,271	60,729	110,444
Creditors		30,461	32,358	35,290	39,700	42,771	128,722
Taxation		28,996	26,564	25,185	27,953	25,511	11,806
Dividends payable		20,000	15,000	15,000	15,000	15,000	—
		98,272	103,620	101,646	122,964	144,011	250,972
NET CURRENT LIABILITIES		(58,832)	(59,797)	(60,821)	(64,406)	(91,316)	(166,126)
		234,789	237,362	236,495	245,757	243,355	245,991
DEBENTURES	4.8	80,000	80,000	80,000	80,000	80,000	80,000
NET TANGIBLE ASSETS		£154,789	£157,362	£156,495	£165,757	£163,355	£165,991
SHAREHOLDERS' INTERESTS							
Share capital		100,000	100,000	100,000	100,000	100,000	100,000
Reserves—distributable		54,789	57,362	56,495	65,757	63,355	65,991
		£154,789	£157,362	£156,495	£165,757	£163,355	£165,991

4. ACCOUNTING POLICIES AND NOTES TO TURNOVER, PROFITS AND BALANCE SHEETS

4.1. The principal accounting policies of Imperial are as follows:—

Fixed Assets

All additions to freehold property are capitalised and no depreciation is charged thereon.

Hotel contents consists of the initial outlay on equipment with additions at cost. Grants received have been deducted therefrom.

No depreciation is charged thereon. The cost of repairs or renewals of all equipment and furnishings is charged against revenue.

Stocks

Stocks are valued at the lower of cost and net realisable value.

4.2. The profits of Imperial attributable to shareholders have been arrived at on the basis of generally accepted accounting principles and standards and after making such adjustments as we consider appropriate.

4.3. Turnover represents the total amounts receivable for goods sold and services provided to third parties.

4.4. The emoluments of the Directors of Imperial charged in arriving at the profits for the year ended 30th November 1972, were £5,468 and further amounts totalling £914 were waived by two Directors. Under the arrangements now in force the emoluments of Directors for the year ending 30th November, 1973, will amount to £6,380, of which it is anticipated that £1,100 will be waived.

4.5. Taxation has been charged on the reported profits at the relevant corporation tax rate.

4.6. In addition to the normal repairs and renewals expended during the year ended 30th November, 1972, Imperial commenced a major refurbishing scheme in the hotel. As a result of this scheme substantial additional repairs and renewals expenditure was incurred amounting to £39,385 and after allowing for tax relief at a corporation tax rate of 40 per cent., this amount has been shown as an extraordinary item.

4.7. The fixed assets have been included in the balance sheet at the valuation by Knight, Frank & Rutley dated 1st June, 1973. The estimated future capital gains tax payable has been calculated at the rate of corporation tax of 30 per cent. applied to the estimated assessable gain if the property were disposed of at the above valuation at the present time.

4.8. The debentures are as follows:—

	£
£50,000 4½ per cent. First Mortgage Debentures secured by a specific charge on the freehold property and a floating charge on the remaining assets repayable at the option of Imperial on six months' notice	50,000
£30,000 5 per cent. Second Mortgage Debentures (secured)	30,000
	£80,000

4.9. Commitments for alterations and refurbishing represented by contracts placed at 30th November, 1972, amounted to approximately £20,000.

4.10. The bank loan and overdraft of £110,444 are unsecured. Of this amount, however, £50,000 is jointly and severally guaranteed by Mr. A. M. Clayman, Mr. B. Clayman and Mr. C. Berlin.

5. DIVIDENDS

Dividends declared by Imperial in respect of the five financial periods ended 30th November, 1972, were:—

Year ended 30th November	*Issued Capital in Ordinary shares of £1 each* £	*Rate* %
1968	100,000	15
1969	100,000	15
1970	100,000	15
1971	100,000	15
1972	100,000	15·75

The shareholders have waived the total dividends amounting to £15,750 in respect of the year ended 30th November, 1972.

6. ACCOUNTS

No audited accounts of Imperial have been made up for any period subsequent to 30th November, 1972.

Yours faithfully,
WHINNEY MURRAY & CO.

(d) The following is a copy of a report on PH received from Whinney Murray & Co., Chartered Accountants:—

The Directors,
Prince of Wales Hotel Company, Southport, Limited,
Lord Street,
Southport PR8 1JS.

8th August, 1973.

Gentlemen,

We have examined the books of account of Drucintown Hotels Limited ("PH") and the contract dated 27th July, 1973, under which it agreed to purchase Park House Hotel, Blackpool, with effect from 12th July, 1973. Based on such examination the net tangible assets of PH as at such date were as follows:—

	£	£
FIXED ASSETS at cost and in accordance with the valuation of Knight, Frank & Rutley dated 1st June, 1973		
Freehold property		185,000
Hotel contents		22,000
		207,000
CURRENT ASSETS		
Stock of consumables	2,651	
Debtors and prepayments	2,264	
Cash in hand	200	
	5,115	
CURRENT LIABILITIES		
Creditors	5,115	
NET CURRENT ASSETS		—
NET TANGIBLE ASSETS		£207,000
SHAREHOLDERS' INTERESTS		
Share capital		3,000
Share premium account		204,000
		£207,000

Our report does not cover turnover, profits and accounting policies of Park House Hotel as it was acquired as an asset with effect from 12th July, 1973 and past audited accounts are not available. In view of the change of management and the change in method of operation, we do not consider that such information would be of assistance.

No dividends have been paid on the share capital of PH consisting of 3,000 Ordinary shares of £1 each and no audited accounts have been prepared.

Yours faithfully,
WHINNEY MURRAY & CO.

PRO FORMA CONSOLIDATED BALANCE SHEET

Set out below there are indicated, in Column 1, the audited balance sheet of the Company (adjusted by Whinney Murray & Co.) as at 31st December, 1972, and in Column 2, a pro-forma Consolidated Balance Sheet of the Company, after the acquisition by the Company of the whole of the issued share capitals of Imperial and PH based on the latest audited balance sheets of the Company as at 31st December, 1972 (as so adjusted) and of Imperial at 30th November, 1972, respectively, and on the statement of net assets of PH, appearing above:—

Column 1 £	Column 1 £		Column 2 £	Column 2 £
		FIXED ASSETS		
674,600		Freehold and long leasehold property		1,681,600
94,000		Hotel contents		206,000
123		Motor vehicle		123
768,723				1,887,723
769,874		SHARES IN SUBSIDIARIES		—
		CURRENT ASSETS		
	37,670	Stocks of consumables	62,972	
	34,936	Debtors	98,108	
	1,804	Bank and cash balances	3,291	
	74,410		164,371	
		CURRENT LIABILITIES		
	46,105	Bank overdraft	156,549	
	58,237	Creditors	192,074	
	22,320	Taxation	34,126	
	10,920	Dividends payable	10,920	
	5,550	Loans	5,550	
	2,292	Provisions for refurbishing and capital expenditure to 1st June, 1973	35,292	
	145,424		434,511	
(71,014)		NET CURRENT LIABILITIES		(270,140)
1,467,583				1,617,583
		Deduct:		
	57,600	Loans and debentures	137,600	
	10,500	Pension provision	10,500	
	4,440	Taxation equalisation	4,440	
	71,500	Estimated future capital gains tax	141,500	
144,040				294,040
£1,323,543		NET TANGIBLE ASSETS		£1,323,543
		SHAREHOLDERS' INTERESTS		
282,500		Share capital		282,500
607,374		Share premium account		607,374
	330,206	Reserves—arising from revaluation	330,206	
	103,463	distributable	103,463	
433,669				433,669
£1,323,543				£1,323,543

Note: No provision has been made in the above balance sheets in respect of expenses associated with the acquisition of Imperial and PH referred to in Statutory and General Information below.

STATUTORY AND GENERAL INFORMATION

(1) The Company

On 3rd September, 1971, the authorised and issued share capital of the Company was £120,000 divided into 480,000 ordinary stock units of 25p each.

On 3rd September, 1973:—

(a) the authorised share capital of the Company was increased from £120,000 to £350,000 divided into 1,400,000 ordinary stock units of 25p each.

(b) the 1,400,000 ordinary stock units of 25p each were converted into 1,400,000 ordinary shares of 25p each.

(c) the Directors resolved to issue 650,000 ordinary shares of 25p each credited as fully paid pursuant to the Agreement.

(2) Subsidiaries of the Company

The following, being all the subsidiaries, are both wholly owned and were incorporated in England:—

Name of Subsidiary	*Date of Incorporation*	*Issued Share Capital*	*Principal Activity*
Imperial Hotel Blackpool Limited	13th September, 1897	£100,000	Hoteliers
Drucintown Hotels Limited	19th February, 1973	£3,000	Hoteliers

Immediately prior to completion it is proposed that 1,000 ordinary shares of £1 each of Imperial will be issued by way of capitalisation of reserves.

(3) Profit Forecast for the Group

(a) The profit forecast by the Directors is based on the following general commercial assumptions:—

(i) that the present bookings of accommodation in the hotels are substantially taken up and that there is no major economic upheaval or unforeseen circumstances which materially affect the trade;

(ii) that the party conferences will take place in the Autumn, as planned;

(iii) that there are no major increases in the prices of food and drink which cannot be passed on to customers;

(iv) that wage rates in the industry remain as at present;

(v) that present accounting policies are continued.

(b) Report on the profits forecast. The following is a copy of a letter received by the Directors of the Company from the reporting accountants Whinney Murray & Co.:—

The Directors,
Prince of Wales Hotel Company, Southport, Limited,
Lord Street,
Southport PR8 1JS.

Winchester House,
89 Fountain Street,
Manchester M2 2FP

3rd September, 1973.

Gentlemen,

We have reviewed the accounting bases and calculations for the profit forecast (for which you as Directors are solely responsible) of Prince of Wales Hotel Company, Southport, Limited, Imperial Hotel Blackpool Limited and Drucintown Hotels Limited, for the respective periods of twelve months, thirteen months and five and one-half months ending 31st December, 1973. The aggregate forecast profit before taxation and extraordinary items of £151,000 takes into account results shown by unaudited management accounts for the period of six months to 30th June, 1973.

In our opinion, the forecast so far as the accounting bases and calculations are concerned, has been properly compiled on the footing of your assumptions set out above, and is presented on a basis consistent with the accounting practices normally adopted by Prince of Wales Hotel Company, Southport, Limited.

Yours faithfully,
WHINNEY MURRAY & CO.,
Chartered Accountants.

The following letter has been received by the Directors of the Company from First National Industrial Trust Limited ("F.N.I.T."):—

The Directors,
Prince of Wales Hotel Company, Southport, Limited,
Lord Street,
Southport PR8 1JS.

First National House,
Finsbury Pavement,
London EC2P 2HJ.

3rd September, 1973.

Gentlemen,

We have discussed with the Board of your Company and the reporting accountants, Whinney Murray & Co., the forecast profits (for which you as Directors are solely responsible) of the Company, Imperial Hotel Blackpool Limited and Drucintown Hotels Limited, for the respective periods of twelve months, thirteen months and five and one-half months to 31st December, 1973.

In our opinion the forecast of profits has been made after due and careful enquiry and the assumptions on which it is based appear to us to be reasonable.

Yours faithfully,
For and on behalf of First National Industrial Trust Limited,
ROLAND J. WADE,
Director.

(4) Directors' Interests

(a) The Directors of the Company and their immediate families will, on completion of the acquisition, be interested (all beneficially save as mentioned below) in the following numbers of its ordinary shares of 25p each:—

	Ordinary Shares of 25p each
A. M. Clayman	248,630
R. Whittaker	19,459
C. M. Ausden (non-beneficial)	1,000
F. N. Bright	8,374
C. R. Gaulter	6,941
W. E. S. Hooper	1,130
J. Mawdsley	4,847
J. S. White	—
M. A. Knee	—

Of the above shares Mr. A. M. Clayman and Mr. F. N. Bright intend to sell 51,666 shares and 5,000 shares respectively under the placing.

Mr. R. Whittaker and Mr. C. M. Ausden are also interested non-beneficially as Trustees in 38,250 ordinary shares of the Company.

(b) Mr. B. Clayman and Mr. C. Berlin will, on completion of the acquisition, hold 248,630 and 248,631 ordinary shares respectively (amounting to 22·0 per cent.) of the Company, of which they each intend to sell 51 667 shares under the placing. Bass Charrington (North West) Limited (of which Mr. C. M. Ausden is managing director and Mr. C. R. Gaulter is a director) hold 107,527 ordinary shares (amounting to 9·5 per cent.) of the Company. Save as disclosed herein the Directors are not aware of any holding in the Company of 10 per cent. or more of its present issued capital.

(c) Save as disclosed herein no present or proposed Director of the Company has or is proposed to have a service agreement with the Company, Imperial or PH other than agreements which determine or are determinable by the Company without payment of compensation within one year.

(d) The total emoluments received by the Directors of the Company in the financial year ended 31st December, 1972, amounted to £6,074. In consequence of the acquisition of Imperial and PH, the emoluments receivable by the Directors, including the proposed Directors, for the year ending 31st December, 1973, are estimated to amount to £9,045, of which it is anticipated that £366 will be waived.

(e) Mr. C. R. Gaulter is a partner in the firm of Blane, Gaulter and Blane, Chartered Accountants, who are employed as stocktakers by the Company and Imperial. Mr. C. R. Gaulter and his wife together own beneficially £8,900 of the First Mortgage Debenture Stock of Imperial and Mr. R. Whittaker owns beneficially £100 of such Stock.

(f) Bass Charrington (North West) Limited has lent £30,000 by way of debentures to Imperial as mentioned in the relevant accountants' report and is also a substantial supplier of liquor in the ordinary course of business to all four hotels.

(g) On 21st March, 1972, the whole of the issued share capital of Imperial was acquired by Poonmudi, a public company listed on The Stock Exchange, in consideration of the issue of 1,300,000 ordinary shares of 10p each in Poonmudi, underwritten at a total cash consideration of £604,500. Pursuant to agreements entered into on 2nd and 9th February, 1972, the whole of the issued share capital of Imperial was sold on 18th December, 1972, by Poonmudi to Mr. A. M. Clayman and his associates for the sum of £525,000 in cash together with the sum of £35,714 in respect of interest. £450,000 of such sum was advanced to Mr. A. M. Clayman and his associates by a subsidiary of First National Finance Corporation Limited.

(h) On 1st December, 1972, Park House Hotel was acquired by MHS of 189 Bickenhall Mansions, Baker Street, London, W.1., for £200,000 in cash. PH acquired Park House Hotel on 27th July, 1973, for £207,000, such funds being provided by the subscription in cash for 3,000 ordinary shares of £1 each in PH issued on that date to Mr. A. M. Clayman and his associates at the price of £69 per share.

(i) Mr. R. Whittaker is Chairman and Managing Director of and together with his wife is beneficially interested in the whole of the share capital of George Whittaker (Blackpool) Limited. This company has for many years been a substantial supplier of groceries in the ordinary course of business to all four hotels. These goods are supplied on normal commercial terms.

(j) Save as disclosed herein, no present or proposed Director has or had any interest, direct or indirect in any assets which have been, within the two years preceding the publication of this document, acquired or disposed of by or leased to the Company, Imperial or PH or proposed to be acquired, disposed of by or leased to the Company, Imperial or PH.

(k) Save as disclosed herein none of the Directors, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company, Imperial and PH, taken as a whole or has any interest, direct or indirect, in the Company, Imperial or PH.

(5) Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company, Imperial or PH within the period of two years immediately preceding the publication of this document and are or may be material:—

(a) Dated 27th July, 1973, between MHS (1) and PH (2) under which PH agreed to purchase the Park House Hotel for a consideration of £207,000.

(b) Dated 8th August, 1973, between A. M. Clayman, Barry Clayman of 8 Coombehurst Close, Hadley Wood, Hertfordshire, and Colin Berlin of 16 Bryanston Court, George Street, London, W.1 (1) and the Company (2) under which the Company agreed to purchase the whole of the issued share capitals of Imperial and PH.

(c) Dated 8th August, 1973, between Tellingcroft Limited (1) and the Company (2) under which Tellingcroft Limited granted to the Company an option subject to completion of contract (b) above to acquire for the sum of £160,000 plus costs a 2-acre freehold site adjoining the Prince of Wales exercisable during the period of one year from the date when clear legal title is deduced to Tellingcroft Limited.

(d) Dated 8th August, 1973, between Renoshire Limited (1) and the Company (2) under which Renoshire Limited granted to the Company an option subject to completion of contract (b) above and exercisable during the period of two years commencing on the date of such completion to acquire for £185,000 plus costs a 42-year lease of the Blossoms Hotel, Chester, at an annual rent of £15,000 subject to reviews as therein mentioned.

(e) Dated 3rd September, 1973, between the Company (1) and J. S. White (2) being the Service Agreement referred to above under which Mr. J. S. White agreed to serve the Company for a period expiring on 30th April, 1977, at an annual salary of £5,500.

(f) Dated 3rd September, 1973, between A. M. Clayman, B. Clayman and C. Berlin ("the Vendors") (1) F. N. Bright (2) the Directors of the Company (3), the Company (4) and F.N.I.T. (5) being the agreement under which the Vendors and F. N. Bright agreed to sell 51,666, 51,667, 51,667 and 5,000 shares respectively at a price of 158p per share and F.N.I.T. agreed to purchase or procure purchasers for such shares.

Except as disclosed herein neither the Company, Imperial nor PH have entered into any material contract in the last two years, otherwise than in the ordinary course of business. Mr. A. M. Clayman is interested in contracts (a) to (d) and (f) above.

(6) General

(a) The agreement for the acquisition of Imperial and PH contains indemnities and warranties in respect of the business and affairs of Imperial and PH including taxation and estate duty.

(b) The Directors have been advised that following this placing it is unlikely that the Company will be a close company as defined by the Income and Corporation Taxes Act 1970.

(c) No share or loan capital of the Company (or any of its subsidiaries) is under option, or agreed conditionally or unconditionally to be put under option.

(d) Save as disclosed herein, and within the two years preceding the publication of this document—

(i) no share or loan capital of the Company, Imperial or PH has been issued or is proposed to be issued fully or partly paid up for cash or consideration other than cash;

(ii) no commissions, discounts or other special terms have been granted in connection with the issue or sale of any capital of the Company, Imperial or PH.

(e) No issue of share capital will knowingly be made which would effectively alter the control of the Company or nature of its business without prior approval of the Company in General Meeting. Save for the issue of shares as consideration for the acquisition of Imperial and PH, no material issue of shares (other than to shareholders *pro rata* to existing holdings) will be made within one year from the publication of this document without the prior approval of the Company in General Meeting.

(f) Save as disclosed herein and in the ordinary course of trading there have, so far as the Directors of the Company are aware, been no material changes in the financial position of the Company, Imperial or PH since 31st December, 1972, 30th November, 1972, and 27th July, 1973, respectively.

(g) So far as the Directors of the Company are aware there is no litigation or claims of material importance pending or threatened against the Company, Imperial or PH.

(h) All expenses in connection with the increase in capital, the application to the Council of The Stock Exchange, the expenses of this document and the acquisition of Imperial and PH are payable by the Company and are estimated to amount to £60,000.

(7) Articles of Association

The Articles of Association of the Company contain *inter alia* provisions to the following effect:—

(a) No Director may vote as a Director in respect of any contract or arrangement in which he is interested and if he does so his vote shall not be counted; but this prohibition is not to apply to any arrangement for giving a Director security for advances or by way of indemnity or to any allotment to or any contract or arrangement for the underwriting or subscription by a Director of shares or debentures of the Company. A Director may hold office as a Director in or Manager of any other company in which the Company is a shareholder or is otherwise interested, and shall not (unless it is otherwise agreed) be liable to account to the Company for any remuneration or other benefits receivable by him from such other company.

(b) The remuneration of the Directors is to be determined from time to time by the Company in General Meeting, and the Directors may also be paid travelling, hotel and other expenses properly incurred by them in attending and returning from Meetings of the Directors or any committee of the Directors or any General Meetings of the Company or in connection with the business of the Company.

(c) The Directors may borrow such sums as they think necessary for the purposes of the Company, provided that the aggregate amount at any one time owing by the Company and all its subsidiaries ("the Group") in respect of moneys borrowed by the Group (exclusive of Inter-Group borrowings) shall not, without the previous sanction of the Company in General Meeting, exceed a sum equal to one and one-half times the aggregate of the nominal capital of the Company for the time being issued and paid up and the amounts standing to the credit of Consolidated Capital and Revenue Reserves (including Share Premium Account, Capital Redemption Reserve Fund and Profit and Loss Account) of the Company and its subsidiary companies, calculated in accordance with the provisions of the Articles of Association of the Company.

(d) The Directors may grant special remuneration to any member of the Board who, being called upon, shall be willing to render any special extra services to the Company.

(8) Consents

Davies & Crane and Whinney Murray & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of their reports in the form and in the context in which the same appear.

F.N.I.T. has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of their letter in the form and in the context in which the same appears.

Knight, Frank & Rutley have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of their valuations and the references thereto in the form and context in which the same appear.

These consents, together with statements setting out the adjustments by Davies & Crane and Whinney Murray & Co. for the purposes of their reports and for the consolidated balance sheet of the Group referred to above, and giving their reasons therefor, and a copy of each of the contracts listed above, were attached to the copy of this document which has been delivered to the Registrar of Companies for registration.

(9) Documents

Prints of the Memorandum and Articles of Association of the Company and copies of the material contracts listed above and the consents, accountants' reports and statements of adjustments mentioned above, and of the audited accounts of the Company and of Imperial for their latest two financial years may be inspected at the offices of Leigh, Lawler & Hooper, 156 Lord Street, Southport PR8 0QD, and at the offices of Clifford-Turner & Co., 11 Old Jewry, London EC2R 8DS, during usual business hours on any weekday (Saturdays and Public Holidays excepted) for a period of 14 days from the date of publication of this document.

3rd September, 1973.

INTERIM STATEMENTS

Extra safety in Mercedes' new saloon model

BY DAVID WALKER

MERCEDES-BENZ unveils a new saloon at the bottom end of its range, the 230 4, to replace the 220 model. It receives a first public display at the Frankfurt Motor Show this week.

The 230 4 is one of two newcomers to the Mercedes range being launched at Frankfurt. A diesel-powered model, the 240 D, brings the number of diesel cars offered by this company to three, all offering identical accommodation but with a variety of levels of performance and economy. The 240 D comes in at the top of that range.

Special order

Prices for the new models on the U.K. market have not yet been settled. They will be announced at the Earl's Court show next month, and the 240 D will be available only to special order.

The 220, the cheapest Mercedes, had a recommended price of £3,263, but currency fluctuations and improved specification of its replacement mean that the 230 4 is likely to be dearer.

A 2.3 litre four-cylinder overhead camshaft engine derived from earlier 2 litre and 2.2 litre units, is claimed to develop 110 b.h.p. net (DIN), giving the car a top speed of 105 m.p.h. and 0 to 60 m.p.h. acceleration time of 13.7 seconds.

The car's body shell is the same as that of Mercedes' other smaller saloons. For 1974, external changes include a flatter look to the bonnet, a wider and lower radiator grill, and an aerodynamic cowling under the front bumper giving a wider and lower look.

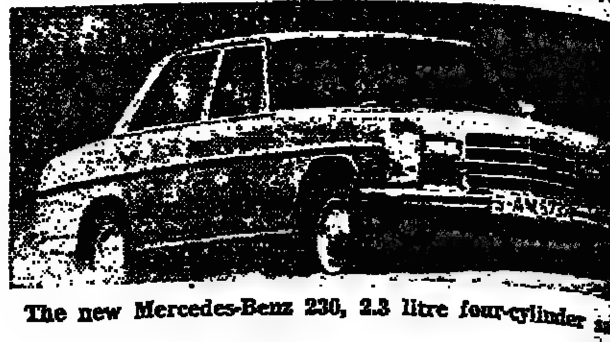
New saftey features are derived from the S class luxury saloon introduced on the U.K. market earlier this year. They include an exterior rear view mirror adjustable from inside the car, deflector blades on the front windscreen pillars to direct dirty water away from the side windows, a runnel over the rear window to help keep that clean, and rear-lamp clusters designed to cut down the build-up of road dirt affecting light intensity.

For the British market, torque convertor automatic transmission replaces the former fluid coupling arangement offered on automatics, which account for 85 per cent. of Mercedes sales here. The result is claimed to be a much smoother transmission of power, with starting jerks almost eliminated.

Mercedes annual production is now approaching 350,000 units, about a tenth of the German motor industry as a whole, which is expected to turn out 3.7m. cars this year and is seeing a faster growth rate than any other European motor industry.

Between January and July, Germany's total car production was 2.21m. units, 5.9 per cent. up on the same period last year, with exports rising by 9.7 per cent. to 1.29m. and home sales going up by 0.5 per cent.

In the quality car sector of its home market, Mercedes' share of sales is 54 per cent., while it accounts for over 60 per cent. of all German production in that sector.



The new Mercedes-Benz 230, 2.3 litre four-cylinder sa

Cheque turnover up 44.6% in August

FINANCIAL TIMES REPORTER

CHEQUE TURNOVER in the Bankers' Clearing House in August totalled £128,854m., 44.6 per cent. above the £89,116m. of August last year.

Turnover in the Town department, which handles the large financial business of the City, was 48.8 per cent. £116,703m.

The number of debit passed through the House rose appreciably sharply, by 2.3 per ce 66.4m., while credit handled came to 10.1m., per cent.

INTER-BANK CLEARINGS AT BANKERS' CLEARING HOUSE

	August, 1973 £m.	August, 1972 £m.
Credit Clearing	1,365	1,181
Debit Clearing Town	116,703	78,415
General	12,151	10,701
Total	128,854	89,116
	Jan.-August, 1973 £m.	**Jan.-August, 1972 £m.**
Credit Clearing	10,642	9,150
Debit Clearing Town	842,752	626,943
General	95,732	81,743
Total	938,484	708,686

Mintex brake-shoes for foreign cars

BY DAVID WALKER

MINTEX, the BBA Group brake and clutch component manufacturing subsidiary is expanding its activities to include a range of factory-lined brake-shoes to fit the majority of imported car models sold in the U.K.

The range, to be exhibited at the Earls Court motor show next month, is one of the first specifically produced by a British manufacturer to cover the rapidly expanding numbers of foreign cars here.

With imports now consistently accounting for over 25 per cent. of the U.K. new car market, vehicles from overseas are estimated to represent some 10 per cent. of the total on the roads.

Mintex already produces a comprehensive range of disc brake-pads and fan-belts for foreign cars. In addition to its plant at Cleckheaton, Yorks., it has associate factories in West Germany, Spain and Australia.

Lord Boyle hits back over right to fee-paying schools

LORD BOYLE, former Conservative Education Minister, hit out at the week-end over a Labour proposal to abolish private education. In a direct reply to Mr. Roy Hattersley, "shadow" Minister of Education, who said on Friday that private and fee-paying schools would be abolished under Labour, Lord Boyle said the right of parents to opt out of the State system was essential.

Lord Boyle, Vice-Chancellor of Leeds University, who was making the winding-up speech as president at the Cambridge conference of the Incorporated Association of Preparatory Schools, said he was against a State monopoly in education. Individual parents must have the right to opt out if they felt that what was being provided locally was not good enough for their children. Any proposal to end independent education was unjustified from the point of view of public spending priorities.

"What purpose is there in the State insisting on taking over the cost of educating those whose parents are perfectly ready, maybe at some sacrifice, to bear the cost?" he asked.

It was dangerous for any government to tell an institution that, although it was doing a good job, "we don't like you, so we are going to get rid of you, or alternatively rig the law against you."

It would be an enormous loss to the education service if any government was to say teachers could only be allowed to provide full-time education in State schools.

Lord Boyle thought it "odd" that Mr. Hattersley—on the whole a pro-Marketeer—should play down the greater full-time boarding education that would be needed in Britain.

Public schools

Public schools are no longer producing natural leaders for the professions or industry, according to an article to-day in The Director magazine written by Miss Joan Hills, appointments registrar at the Independent Schools Careers Organisation.

The public schoolboy had "ceased to be regarded as part of any special cadre, and is on the market competing with the grammar schoolboy for jobs." Employers did not always realise how small the pool of available public school leavers has become, she says.

"In particular, companies in the City, many of which still appreciate polish and mixability beyond academic qualifications, frequently express surprise when their often excellent opportunities remain unfilled."

To to-day's public school leaver "social goals have become paramount, taking the form of a growing interest in the environment in all its aspects."

Cunard to order tankers in Canada

BY OUR OWN CORRESPONDENT MONTREAL, Sept. 9.

Davie Shipbuilding, of Quebec —owned by Power Corporation of Canada—has letters of intent from Cunard of the U.K. to build two 39,000-ton tankers, and is also negotiating to build more tankers for the Athel line, a Tate and Lyle subsidiary.

Davie's yards at Quebec City will be busy through most of next year with an order for ,000-ton tankers for Greek interests.

James McDonald, Shipping Correspondent, writes: Cunard—part of the Trafalgar House Group—confirmed that letters of intent had been signed with Davie Shipbuilding for the two tankers, which will be petroleum products carriers.

The company refused to give any further information but ship sale market sources suggested that the value of the order would be in the region of $45-50m. and that one reason for the placing of the work in Canada could be early delivery since most of the world's main exporting shipyards are full until end-1975 and into 1976.

A spokesman for Athel Line yesterday would not comment on the report beyond saying: "At the moment we do not have any orders with shipbuilders in Canada and we do not wish to go beyond that statement."

REGIONAL MARKETS

—	Price Sept. 7	A=Div. B=Times covered A	B	Gross yield %
BELFAST				
...at 6¼ pc 80	£67¼	6¼	—	14.5
...lay Pkg. (5p)	25	‡25	1.8	6.0
...ghes (B) £1	150	8	1.5	6.2
Irish Sc't Inv.	42	6	1.1	5.6
IRISH EXCHANGE				
...Sq'r 6pc 80/85	£67.12	6	—	9.2
...ace Gas (£1)	98	10	♦	10.2
...a.Prod.Ire.	158 xd	21½	3.2	3.4
...dalkin	70	12½	1.6	4.5
...dbody (£1)	120	—	—	—
...ton Hldgs.	75 xd	‡11	2.2	6.5
...h Distillers	87	‡12	♦	3.5
...h Wire Bd.	86	17	♦	4.9
...h	71	20	♦	7.0
...th Group 10p	44	§14.4	2.4	5.3
...beam	56	6	1.5	2.2
...dare	78	—	—	—
MIDLANDS & WESTERN				
...um Post 'A'	57½	13	1.9	5.7
...ns 10p	32½	21½	1.0	6.6
...ns (Frdk) 10p	55	15	2.9	4.3
...red	59	§5.6	1.4	5.1
...e & Reed 50p	255	‡10.5	4.6	3.1
...liner £1	67½	—	—	—
...g Ship. £1	800	§12.8	2.0	2.3
...amSleigh 10p	19½	†3	U5.0	1.5
...n-E-Za.	55	ε21	♦	9.8
...ll's Ship. £1	200	9	♦	4.5
...es C.H.	135	15	♦	2.8
...ell (Wm)	112	§ε12½	3.0	3.9
...ath (H.)	110	14	2.3	5.2

—	Price Sept. 7	A=Div. B=Times covered A	B	Gross yield %
NORTHERN EXCHANGE				
Albany Inv. (20p)	26	‡6½	♦	4.1
Ash Spinning	56	15	U1.2	8.0
Booth (Chas.) (10p	18‡	—	—	—
Brady (G.) 'A'	78	27½	1.7	8.8
Br'wat'r Est. 50p	545	18	1.6	2.5
Br. Northrop 50p	90‡	—	—	—
Bury Ring (20p)	25‡	—	—	—
Clover Croft	54	♦2½	1.6	1.2
Dyson (R.A.) 'A'	65	§8.4	—	4.5
Ellenroad	58	12½	♦	5.4
Eng. Nat. Inv. Pf.	31¼	8	0.5	6.3
Do. Deferred	45	4	2.3	2.3
Era Ring	40	—	—	—
Gardner (L.)	146	§31.2	2.4	7.6
Hartley Ind (20)	39½	§7	3.6	5.1
Higson Brewery	152	17½	2.9	3.5
Holt (Joseph) (25p	125	8.4	♦	1.7
I.O.M. Steam (£1)	135	10	U0.9	7.5
Ketton Cem. (£1)	975	30	3.7	3.1
Manch. Canal (£1	500	15	♦	5.0
Nichols Vimto	114	‡25.5	1.5	3.0
Nthn Goldsmith.	129½	§16.2	3.6	4.2
P.M.A. Hldgs.	145	♦31	—	3.1
Peel Mills	29	♦—	—	—
Sayers Conf (12½p	43	§17½	2.7	7.3
Shiloh Spin.	34	†4	2.3	2.9
Swan Ln. Sp. (33⅓p	38½	—	—	—
Taverner Rut (20p)	75	25	1.8	6.8
Wood (Ed.)	20½‡	In Vol. Liq.		
Woodward H.12½p	43	§15.4	1.3	5.6
SCOTTISH EXCHANGE				
Craig & Rose £1	425	29	3.3	5.2
Hill (Wylie)	93½	—	—	—
Lees (J. J.) (20p)	34½	21	♦	6.2
Richards (10p)	25	12	2.2	4.4

Part-time schooling 'could stay'

PART-TIME SCHOOLING for thousands of children could become a permanent feature of the State education system, head teachers warned yesterday.

The 16,000-member National Association of Head Teachers accused the Government and local authorities of having bungled plans to cope with the extra children staying at school as a result of raising the leaving age.

It demanded urgent action to deal with the "appalling" problem of teacher-shortage in some areas, particularly in specialist subjects like mathematics and languages.

In a statement issued after a week-end meeting of its executive in London, the association said that desperately needed young teachers could not afford to buy houses or pay high rents in many urban areas. It called on local authorities to help them obtain homes.

APPOINTMENTS

GKN group executive changes

Mr. Geoffrey Osgood has been appointed deputy chairman of CARLSON-FORD and has been succeeded as managing director by Mr. R. Shackleton. The company is a subsidiary of Guest Keen & Nettlefolds.

★

Mr. J. E. Bywater is to join the Board of the SIME DARBY GROUP in December as managing director of operations in South East Asia and will be based in Singapore. He will be succeeded by Mr. C. A. Mathews as director of technical services with the Plessey Company.

★

Mr. Charles Lawrie has become managing director of MOJO (CASH & CARRY), a subsidiary of Morris & David Jones.

★

Mr. Douglas Mackay, general sales manager of Ushers Brewery, has been appointed to the Board.

★

Mr. James Bureau, previously with Gillette Industries, has joined JEYES UK as marketing director.

★

Mr. W. P. Ring has been elected as chairman of the LONDON TANKER BROKERS' PANEL in succession to Mr. John Curry, who has retired from business. Mr. A. H. Langworth is now vice-chairman.

★

Mr. Gordon Hayward has been appointed a director of H. R. TURNER (WILLENHALL), a member of the LCP Holdings Group.

★

Mr. R. B. Parkes has retired as chairman of the BRUSHDEAN PROPERTY GROUP and Mr. T. W. Hudson takes over as chairman and managing director. Mr. S. C. Mackay has joined the Board and is responsible for corporate acquisition and group administration. Mr. T. G. Wyner has joined the Board as representative for Edward Bates and Co.

The following subsidiary appointments have also been made: Mr. H. R. Telfer as managing director of Brushdean Properties and Mr. C. W. Poynton as managing director of Brushdean Homes and Country Style Homes.

★

Mr. J. Wood has become secretary of KLEEMAN INDUSTRIAL HOLDINGS in place of Mr. P. S. Marchant, who has resigned.

★

Mr. Phillip Morgan has relinquished the managing directorship of IPC CONSUMER INDUSTRIES PRESS to devote more time to corporate planning. He continues as chairman. Mr. Bryan Hope will become managing director on December 1, and Mr. Peter Yapp will be deputy managing director. From that date Mr. Henry Massie has been appointed deputy managing director of IPC Specialist and Professional Press.

★

Mr. A. J. Coombe has been appointed sales director and Mr. R. S. Nunn works director of STURTEVANT WELBECK. The company is a subsidiary of Sturtevant Engineering, a member of the Drake and Cubitt group.

★

Mr. K. St. Johnson, deputy chairman of Overseas Containers, has been appointed a director of ROYAL, the LIVERPOOL AND LONDON AND GLOBE and the LONDON AND LANCASHIRE insurance companies.

★

Mr. Roger Young has been appointed a director of ROBERT FRASER AND PARTNERS, investment banking subsidiary of Fraser Ansbacher.

★

Mr. Charles J. Shearer, managing director of Alexander Findlay and Company, a subsidiary of Sears Holdings, has retired. He is succeeded by Mr. David Watson, the present assistant managing director. Mr. Donald J. Biggs, a director, has been appointed assistant managing director.

★

Mr. K. Griffiths has been appointed managing director of SYNTHETIC CHEMICALS, a subsidiary of Midland-Yorkshire Holdings. He was formerly general manager of the Midland chemicals division.

★

The directors of DATSUN FINANCE, which has started operating to provide a financial service for Datsun U.K. dealers, are: Mr. W. W. Renilson, Mr. J. N. Little, Mr. R. J. Clark, Mr. O. Botnar (German), Mr F. Shannon, Mr. D. Richards, and Mr. E. Bicknell.

★

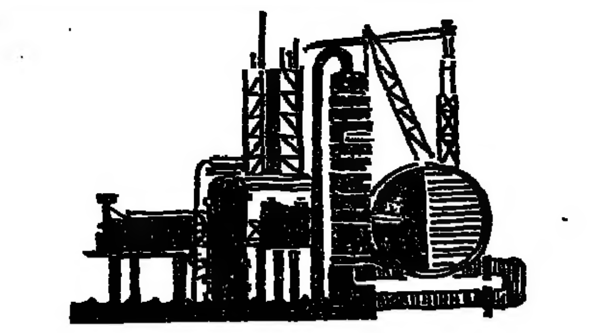
Mr. B. G. Pounds has been appointed chairman of INTERNATIONAL BULK LIQUIDS (STORAGE AND TRANSPORT) and subsidiaries. From October 1 Mr. E. W. Tomlinson joins the Board and Mr. T. Moxon will become a director of Arrow Bulk Carriers and Mr. J. F. V. Dawson, a director of Ashgrove Motor Engineers.

Vickers inquiry on mini-sub completed

VICKERS OCEANIC, which has completed an inquiry into the Pisces III midget submarine mishap, is expected to make a statement this week.

The inquiry into the accident, which led to two men being trapped in the sunken submarine for 76 hours, was conducted by Mr. Gregory Mott, managing director of the company, along with Mr. Ronald Mensforth and Mr. Philip Pearce, surveyors from the Department of Trade and Industry.

Pisces III was engaged in cable laying on the Atlantic seabed when flooding caused it to sink. It is being repaired by Vickers at Barrow-in-Furness.



WORLD CHEMICALS

The Financial Times will publish a survey of World Chemicals in its issue of Monday, 24th September and the following indicates the proposed editorial content:—

1. **INTRODUCTION**
   High demand characterises the emergence from an over-capacity situation. But the uncertain currency situation, and increasing raw material and labour costs are also important factors.
2. **EVOLUTION**
   The changing shape of the industry; the smaller companies seek to specialise in more profitable ends of the market.
3. **PROCESS PLANT**
   After a lull, the plant makers expect a major upsurge in demand around the end of the year. America's foothold in the U.K./European market.
4. **INVESTMENT PATTERNS**
   Bigger plants are called for. The increasing talk of "industry" (i.e. multi-company) projects; also of co-ordination of investment plans.
5. **EUROPEAN COUNCIL OF CHEMICAL INDUSTRY ASSOCIATIONS**
   A new pan-European association of national chemical associations. How it works vis-a-vis the EEC Commission. Montedison's difficulties in Italy.
6. **OIL**
   Escalating prices for oil mean chemical prices, too, will have to rise. The direct involvement of the oil companies in the chemical industry.
7. **POLLUTION**
   Legislation creeping in slowly around the world, with acute interest being shown in Japan.
8. **OIL-PRODUCERS**
   Signs of the emergent chemical/petrochemical industry in the Middle East and North Africa.
9. **U.S. IN EUROPE**
   The position of the American companies in Europe since the enlargement of the EEC.
10. **TRADE**
    Booming exports from the U.K. Prices on the Continent and in Britain.
11. **PLANT DESIGN**
    The increasing scope, especially in developing countries, for the ultra-specialist consultant, working with a small staff but much expertise.
12. **SAFETY**
    Another area of increasing concern by the authorities. The U.K. record compared with overseas.
13. **INTERNATIONAL TRADE UNIONS**
    Chemical industry unions are to the fore in the transnational organisation of activities. A profile of Dr. Charles Levinson, Secretary General of the International Federation of Chemical and General Workers' Unions in Geneva.

FOR FURTHER INFORMATION PLEASE TELEPHONE 01-248 8000 EXT. 581

F.T. SHARE INFORMATION SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
10J	10D	Treasury 5¼pc 1973	98	4.5	5.33	11.26
15J	15D	Conv 5½pc 1974	95	9.5	5.47	10.97
10M	10S	Treasury 5½pc 1974	95½xd	6.6	5.75	10.21
1J	1D	Treasury 6¾pc 1974	95¾	7.5	7.05	10.40
15F	15A	Treasury 6pc 1975	94	25.6	6.37	10.55
		Treasury 8pc 1975	95⅝	—	8.36	10.89
15F	15A	Savings 3pc '65-75	89½	9.7	3.34	8.96
1M	1S	Exch 6½pc 1976	90	26.7	7.21	11.17
15F	15A	Treasury 6½pc 1976	89	9.7	7.29	9.89
1M	1S	Victory 4pc 1976	96¾	26.7	4.14	6.50
10M	10S	Treasury 6¼pc 1977	86¼xd	6.8	7.20	10.97
15M	15S	Electric 3pc '74-77	83xd	9.8	3.57	8.73
20J	20D	Transport 4pc '72-77	81	14.5	4.87	9.50
15M	15S	Treasury 9pc 1978	91xd	9.8	9.80	11.34
		Five to Fifteen Years				
26M	26S	Exchequer 5pc '76-78	77½xd	20.8	6.44	10.86
	17S	Treasury 3pc 1979	69½xd	13.8	4.32	9.82
26M	26S	Electric 4¼pc '74-79	72½xd	20.8	5.88	10.57
15M	15N	Do 3½pc '76-79	70⅞	9.4	5.02	10.21
		Treasury 9pc 1980	89⅝	30.7	10.07	11.35
15J	15D	Treasury 3½pc '77-80	68⅞	9.5	5.18	10.27
15J	15D	Funding 5¼pc '78-80	74½	9.5	7.17	10.94
15F	15A	Treasury 3½pc '79-81	66	9.7	5.33	10.17
15J	15D	Do 8¾pc '80-82	86⅛	8.6	10.03	11.35
15J	15J	Funding 5½pc '82-84	70½	8.6	7.90	10.34
10J	10J	Treasury 8½pc '84-86	83⅛	4.6	10.41	11.22
1M	1N	Funding 6½pc '85-87	70⅝	26.5	9.53	11.05
26J	26J	Treasury 7¾pc '85-88	75¾	19.6	10.44	11.45
1J	1J	Transport 3pc '78-88	47⅛	25.5	6.45	9.99
		Over Fifteen Years				
15A	15O	Treasury 5pc '86-89	56¼xd	3.9	8.90	10.78
15J	15J	Treasury 8¼pc '87-90	77⅞	9.5	10.89	11.52
5A	5O	Funding 5¾pc '87-91	59½xd	3.9	9.61	10.94
15M	15S	Funding 6pc 1993	59¼xd	9.8	10.12	11.10
17M	17N	Treasury 9pc '94	82⅝	10.4	11.29	11.56
1M	1N	Gas 3pc '90-95	39½	26.3	7.82	10.01
15M	15S	Treasury 9pc '92-96	79⅝xd	9.6	11.29	11.55
1A	1O	Redp 3pc '86-96	43¼xd	28.8	6.92	8.75

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div.	Cvr	Yld gr	P/E
Feb.	Aug.	AldermanSec.10p	33	30.7	u12½	3.4	3.8	11.0
Aug.	Mar.	Alexanders D £1	192	16.7	†13½	—	7.6	—
—		Algemene Fl.100	£59½	7.8	18	6.5	4.3	4.3
Oct.	June	Allen Harvey £1	537½	26.3	§30.7	—	8.2	—
Dec.	June	Allied Irish	139	14.5	20	—	3.6	—
April		Anglo Contnl	91	26.3	5	5.0	1.4	20.9
Aug.	Feb.	Anglo Israel £1	250	30.7	†h9.1	—	3.6	—
Dec.	July	Arbuthnot L £1	390	15.6	§6.9	—	2.5	—
July	Jan.	Aust. & N.Z. £1	350	4.6	†10	—	2.9	—
April		Bk. Hapoalim £1	37	4.76	s12½	—	4.0	—
July	Jan.	Bk. Ireland £1	340	14.5	h15	—	4.4	—
Sept.	April	Bk. Leumi A£1	38½	12.3	15	—	3.6	—
June	Dec.	Bk. N.S.W. $A2	480	14.5	tr12	—	2.7	—
Oct.	May	Bank Scotland £1	540	9.4	§14.7	2.6	3.9	9.3
Aug.	Apr.	Barclays £1	345	30.7	†11¼	4.5	3.0	10.8
Dec.	Sept.	Bates (Edward)	253	14.5	u28½	1.2	2.8	43.8
Jan.	June	Bowring (C.T.)	94	14.5	§8.4	3.7	3.2	12.1
Jan.	Aug.	Brit. Bk. Com	90	18.6	§7.3	3.4	2.9	14.4
Dec.	Apr.	Brown Shipley £1	645	18.6	17.8	—	2.6	—
Jan.	June	Bryanston	82	4.6	§d8.2	5.3	3.6	7.5
July	Feb.	Burston Group	117	16.7	†16	2.7	3.8	13.7
Jan.	July	Cater Ryder £1	250	4.6	§15.4	—	8.8	—
Mar.	Oct.	Cedar Hldgs 10p	30	12.2	h10	1.6	6.7	13.7
Feb.	Sept.	Com'l Aus (SA1)	215	29.1	13	—	3.4	—
May		Comz. Bk. DM100	750	7.5	17	—	3.6	—
Jan.	May	Corinthian 10p	100	13.11	§13.3	5.4	1.9	13.9
April		Cred. France F75	£18	—	9.7	—	3.8	—
Mar.	Nov.	Dawnay Day	170	26.3	26	1.8	3.8	16.4
June	Sept.	F.C. Finance	160	26.3	†§11.8	4.3	2.5	13.2
June	Dec.	First Fin'br 10p	60#	12.71	—	—	—	—
Jan.	June	First Nat. 10p	74	26.6	§18.4	3.2	5.5	12.5
—		Do Wrrts. 75-83	22	—	—	—	—	—
June	Dec.	Fraser Ans. 10p	37	4.6	§7	—	2.7	—
June	Dec.	Gerrard Natnl	255	30.4	§44.1	—	6.2	—
Jan.	June	Gibbs (A.)	100	30.4	t10	—	2.5	—
Jan.	July	Gillett Bros. £1	270	4.5	20	—	7.4	—
Jan.	Oct.	Guinness Peat	200	11.2	t35	—	4.4	—
Dec.	July	Hambros	455	2.7	§25.7	—	2.0	—
—		Hawtin 10p	34½	14.5	§17.6	1.6	7.3	12.0
Dec.	July	Hill Samuel	133	4.6	§12.9	—	3.4	—
		Do Warrants	£18	—	—	—	—	—

Hire Purchase etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER & ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS, ETC.

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING AND METAL

ENGINEERING AND METAL—Cont.

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS—(Miscell.)

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

PUBLIC BOARD AND OTHER LOANS

FOREIGN BONDS & RAILS

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

S.E. List Premium 21⅜% (based on $2.4155 per £)

CANADIANS

S.E. List Premium 21⅜% (based on $2.4357 per £)

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £250 per annum for each security.

For Notes, see page 41

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCE

MACHINE TOOLS

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Continued

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc.

OILS

RUBBERS AND SISAL

Dividends Paid	Stock	Price	Last xd	D...	Cvr	Yld pr
— —	Anglo-Indo'n	32	[illegible]	—	—	—
Sept.	Bertam Con. 10p	36	13.8	§12.9	ф	5.1
July	Bradwall 10p	74	16.7	§14.7	0.8	2.8
January	Bukit Mert. 10p	57	13.11	10	1.8	2.7
July Feb.	Castlefield 10p	79	2.7	15	1.5	1.9
May	Chersonese 10p	79	26.3	§23	0.7	5.1
May	Cons. Plants 10p	54	26.3	b15	1.8	2.8
— —	Dwa Plant 10p	25	5.05	фB	—	—
Jan. May	Gadek 10p	36½	26.3	§8¾	0.8	3.4
May Dec.	Golden Hope 10p	63	30.4	35	1.2	5.6
— —	Grand Central 10p	5½xd	3.9	25	—	11.9
July Feb.	Guthrie Corp. £1	375	4.6	§12.9	1.3	4.9
Dec. July	Highlands 10p	104	4.6	§25.7	0.5	3.5
Dec. July	Kuala Kepong 10p	130	14.5	25	1.8	1.9
Jan. July	Kulim 10p	53	30.4	§11.9	0.8	5.7
Jan. June	Lon Asiatic 10p	42½	4.6	b§17.5	1.2	5.9
September	Ldn Sumatra 10p	32½	4.1	§10.3	1.5	4.4
Nov. July	Malakoff 10p	48½	30.4	12½	1.9	2.6
May Nov.	Malayalam 10p	15½	9.4	15	0.5	9.7
November	Muar River 10p	50	2.10	15	1.5	3.0
Nov. May	Padang 10p	41½	9.4	b§16.3	1.1	5.6
Feb. Aug.	Plantation Hldgs. 10p	53	14.5	21	ф	4.0
March	Sungei Krian £1	59½	12.3	40	1.1	4.2
Aug. Apr.	Taiping 10p	27½	30.4	68	1.6	2.9
Sept. Apr.	Warren Rub. 10p	63d	12.3	25	0.7	0.8

TEAS

India and Bangladesh

Dividends Paid	Stock	Price	Last xd	Div.	Cvr	Yld pr
Sept.	Assam & Afr. £1	45	15.8	4	1.8	8.9
December	Assam Doears £1	80	11.12	7½	2.3	ф
October	Assam Frontier £1	72	2.10	8	0.6	11.1
Aug. Dec.	British Indian £1	76	9.4	6	1.5	7.9
July	Cessnock £1	165	—	—	—	—
August	Cons. Tea & Land £1	180	2.7	§0.7	—	0.6
August	Darjeeling Co. £1	80	4.6	§3.5	0.9	6.2
November	Jokai £1	75	16.10	8	1.1	10.7
August	Jorehaut £1	134	14.5	§3½	1.2	3.7
January	Longbourne £1	94	29.1	2½	—	2.7
September	McLeod Russel £1	102	4.9	ф5	—	4.9
Apr. Sept.	Moran £1	72	29.1	§2.9	—	6.0
September	Nedeem £1	25	11.61	B	—	—
July	Teith Hldgs. £1	312	2.7	§5¾	2.8	2.4

Sri Lanka

Africa

MINES—CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

AUSTRALIANS

TINS

COPPER

MISCELLANEOUS

THE LEX COLUMN

Re-rating the construction majors

The most striking feature of the re-rating in the construction sector over the past couple of years has been the strength of the industry leaders. A marginal gain in the All-Share since mid-1971 contrasts with a jump of over a third in the Contracting and Construction index, but whereas a random group of a dozen medium-sized contractors show gains averaging under a sixth, Taylor Woodrow, Costain, and John Laing have all outperformed the sector average—the last two by a substantial margin. Taylor Woodrow, moreover, currently stands just 5 per cent. below its 1973 high at 288p, against a 204p low.

Strength like this might look odd in the context of an industry cycle which is visibly passing the peak. New construction orders rose 9 per cent. in the first quarter of 1973 at constant prices and 1 per cent. in the second, and brokers E. B. Savory Milln are probably shooting as high as anyone with their latest forecasts of a 7 per cent. rise in output this year falling back to 3 per cent. in 1974, again at constant prices. The obvious threat for 1975 lies in public sector spending which, excluding housing, accounted for nearly two-fifths of 1972's new orders.

But there is another theme in the brokers' work—a massive tome stretching well over 400 pages and covering 11 countries. That is the marked improvement in the industry's management and financial resources over recent years, something which shows up most clearly in balance-sheet movements.

Cash flow

The starting point is cash flow, which for the nine majors (profits over £5m.) outside the private housing specialists rose an average 1½ times at the net level between 1969-70 and 1971-72. In some cases, the effect on gearing has been dramatic, for contractors are not normally hungry for working capital. The brokers reckon that work in progress, for example, normally represents one month's work plus an allowance for payment delays—and it was, incidentally, a marked rise in the w.i.p./sales ratio in the 1971 accounts that gave the first hint of Mitchell Construction's problems.

Of course, although the building sector may have been a special case for concern in those liquidity-conscious days of 1971, there has been nothing unique in much-improved balance sheets over the past year or so. The important change lies not so much in the source as in the use of funds, and Taylor Woodrow is a good illustration. Between 1970 and 1972, with no revaluations and negligible share issues, its capital employed rose 50 per cent. to £67m. The book cost of fixed assets increased from £14.7m. to £17.9m., and its net working capital dropped £1m. or so to a credit item. Investment properties, in at cost or 1968 valuations, rose from 41 to 52 per cent. of capital employed, and to help achieve that, the group has been prepared to increase its debt, now representing 43 against 34 per cent. of capital employed. In short, there has been a marked change of direction in TW, and other majors, towards non-cyclical assets and earnings sources.

As for the trading background, the fact is that although the growth in construction output may be about to start slowing down, 1974's projected increase is still high by the standards of the past five years. A comparison of the U.K. industry with that of ten other major developed countries shows that not only did it produce the slowest rate of increase between 1968 and 1972 but also that, almost alone, it lagged significantly behind the national rise in GNP. For the moment, however, some companies are turning business away, and this scope for greater selectivity may be one reason for declining output in low-margin, fixed-priced housing in the public sector.

Accounting

This means different things to different companies. An analysis of accounting practices in the sector suggests that the reported profits of a Laing or a Wimpey—derived in large measure from work done in previous years, and where no profits are taken until contracts, however large, are completed—bear almost no relation to those of a Bovis or a Costain where profits are taken on work in progress throughout the contract.

Size and accounting conservatism do not necessarily go hand in hand, but the risk element is plainly lower among the leaders. Moreover, they tend to have the largest overseas content. Costain is the prime example, with over half its profits arising overseas, and this is an obvious prop for the 10-15 per cent. annual profits growth projected over the next five years in a recent study by brokers Mitton, Butler, Priest. Rather more than that is scheduled for 1973, and strong earnings trends over the next couple of years can also be expected from groups like Taylor Woodrow and Laing. After stripping out the estimated property content at a discount of, say, 30 per cent., all three may be selling on prospective multiples of around 8 or 9—which is pretty much in line with the smaller contractors' average.

Housebuilders

The private housing specialists, however, are moving in different directions. Despite vastly improved cash flows, gearing ratios among the half-dozen majors have been rising sharply, reflecting higher output levels and the way that the price of building land doubled between 1970 and 1972. Total debt—usually including a high proportion of bank borrowings often represents well over 100 per cent. of shareholders' funds. At the same time, the number of houses under construction has been rising steadily, with the April-June total standing over a quarter above 1972's level of completions. So much for the reports of a lot more building land coming on to the market: for some builders, the impact of any weakness in land prices would not just be confined to a dip in profits.

Lombard

Revaluing exchange rate changes

By ANTHONY HARRIS

UNTIL RECENTLY, exchange rates were supposed to be almost entirely concerned with foreign trade: but experience has recently been disillusioning. The sad outcome of Mr. Harold Wilson's pound-in-your-pocket taught some caution—but not enough to prevent Mr. Nixon from hoping that the U.S., with less than five per cent. of its national product in foreign trade, could devalue without regard for the domestic consequences. Its experience this year with food prices has shown the error of that hope (though a report last week that they were rising at an annual rate of 231 per cent., which made me rise in my chair at an annual rate of 6,000 miles, surely rubbed it in a little too hard).

At the same time, the achievements in terms of trade adjustment have been, to put it mildly, disappointing. The persistent surpluses of Germany and Japan, the obstinate deficits of the U.S. and the U.K., do not argue for the power of exchange rates to set things right. So far as the U.S. and Japan have achieved progress, it is largely through the influence of inflated Japanese imports of U.S. commodities at inflated world prices.

Full circle

We have now, therefore, reached a stage where the effects of exchange rate changes on trade balances are seen as slow and uncertain while their effects on domestic prices are fast and clear: and to-day official thinking has come full circle. Australia and New Zealand have revalued purely for domestic reasons, without a word about "adjustment." Good on you, cobbers.

It is interesting, though, to go beyond the simple recognition of Antipodean realism, and have a look at the conditions under which the new moves are likely to work best.

So far as exports are concerned, the conditions are the very reverse of the conventional assumptions. Ideally, the foreign prices of Australian and New Zealand exports should not rise at all, on the contrary, the domestic prices of these products—and especially the foodstuffs—should fall to the full extent of the revaluation. This is clearly recognised by the New Zealand authorities, who have actually threatened to enforce a 10 per cent. fall in meat prices by legislation if necessary.

Since Australian and New Zealand exports are largely of primary and farm produce, subject to world competition, this condition is likely to be met automatically.

The need for price controls, supported by the newly-fashionable reverse protectionism (limiting exports to assure adequate home supplies) is not to enforce the effects of the revaluation, but to insure against any further inflation of world trade prices. So far as these measures have to be used, they suggest that a further revaluation might help.

On the import side, again, the effect on foreign-currency prices is likely to be minimal. The two countries import manufactures which are the subject of world competition, but often of very little domestic competition. Again, the revaluation is being reinforced in New Zealand by appropriate changes in trade regulations, with a liberalisation of imports.

Putting all this together produces some interesting conclusions: for here is an exchange rate change which ideally could have no effect at all on trade prices.

Three answers

If there is no change in the terms of trade, how can there be any "real" effect on the two economies? There are three answers to this. The first is that despite the unchanged terms of trade, the move is in fact likely to affect the trade balance by way of increased imports of manufactures, at what should be lower domestic prices. Some of the surplus is being released to raise real incomes and relieve pressures.

The second answer is that the reduced prices of food in local currencies, while they will not affect foreign currency earnings, will redistribute incomes towards consumers — another factor relieving pressures which make for cost inflation.

The final answer is that a major intention of the change is to produce a purely monetary effect — to operate, that is, on price expectations. There is much here that the outside world, which goes on thinking outdated thoughts about "the adjustment process," might study with profit.

More Downing St. talks on Phase Three planned

BY JOHN BOURNE, LOBBY EDITOR

MR. EDWARD HEATH, the Prime Minister, with Mr. Anthony Barber, Chancellor of the Exchequer and other Ministers are likely to have further discussions at 10 Downing Street this week about Government proposals for Phase Three of the prices and incomes policy.

They already have the Pay Board's long-awaited recommendations about which pay anomalies created by last winter's pay freeze should be given priority of treatment during Phase Three. Its report will probably be published on Thursday.

The general view of economic Ministers, who are now getting down to the problem of the broad figures for the size of wage increases the economy could bear next year, is that Phase Three proposals will be difficult to sell to the unions and to industry.

The expectation in Whitehall is that the code for prices and profit margins will have to be toughened, and that there is little, if any, scope for a general pattern of wage rises above that provided by the present ceiling of £1 plus 4 per cent.

Some Ministers believe that partly because of this, and because of the rapid increase in world, and therefore, domestic food prices this year, there would be less political mileage this autumn for the Government if the TUC repeats its rejection of Government proposals.

Last autumn, the Government would have been able to maintain, had inflation really got out of hand and Mr. Heath called a General Election, that the public would blame the unions. This time, public experience of rising food prices would make it less willing to accept such an argument.

Meanwhile, Mr. Harold Wilson, the Labour leader, has joined forces with those in the City and in Parliament who have been urging the Government to tighten-up on the money supply, to cut public expenditure and to raise taxes, although his detailed proposals on the second two are understandably different.

In a radio interview yesterday he repeated the gist of his week-end speech at Redruth, although he shed some of the trimmings such as his call for the resignation of the Chancellor.

Mr. Wilson's argument was that defence spending should be reduced to the same proportion of the national product as in other Western countries, particularly our EEC partners. He wanted the Maplin plan dropped, the £300m. tax concessions made last April "to the rich" abolished.

Finally, Mr. Wilson thought that the Government should start to negotiate new terms for the Common Agricultural Policy under which Britain would pay no more than any other country to support European farmers; and, lastly, that the Government should see that mortgage rates are lowered.

CBI to decide its line, Page 6

Tough control on efficiency pay

TOUGH CRITERIA for productivity pay rises, to be allowed only in tightly-controlled efficiency schemes, are now being drawn up by Government advisers in advance for Phase Three.

No final decision about the inclusion of productivity deals in Phase Three has yet been made, although it is now generally accepted by Ministers that some flexibility for shop floor bargaining, embracing productivity, must be allowed.

The intention would be that productivity schemes—or "efficiency deals" as they might be named — should at least be self-financing with a target of contributing to a reduction in unit costs. The Pay and Price Code would be toughened so that any cost arising from them would not be regarded as an allowable cost for justifying price rises.

Ministers are far from decided how such schemes could be adequately policed.

One solution being urged by some employers would be to allow a fairly small amount of the total estimated cost of Phase Three—say 2 per cent. This would be paid in addition to the general national basic pay rise.

In addition, provision would also be made for genuine detailed productivity schemes. These would be tightly controlled so that very few would get through what would amount to constant Pay Board supervision.

Details of another aspect of Phase Three—compensation to those who lost out in last winter's pay freeze—will start to emerge this week with the publication of the Pay Board's anomalies report.

This will not recommend any compensatory back-payment to deserving groups, but it will propose guidelines intended to correct direct pay links broken by the freeze.

This would mean, for example, that pay rates of hospital workers would be raised to the level of local council manual workers—with whom they are traditionally linked—before percentage calculations of what they can have under the general Phase. There would not be any back pay.

A considerable number of civil servants are expected to do well out of the Board's report which would save the Civil and Public Service Association staging the protest industrial action it is planning if the Board reports "unfavourably."

Just over 1m. workers are expected to benefit from the report, which is not expected to take a significant slice out of what can be afforded in Phase Three.

Electricity price plea dilemma

BY ELINOR GOODMAN

THE MINISTERIAL delay over approving the Price Commission decision on increased electricity charges is putting the commission in an embarrassing position.

The electricity Boards applied at the beginning of June for permission to put up prices by an average of 10 per cent.

The commission is understood to have made its decision, after considerable querying of the Boards' figures at the end of July. Mr. Tom Boardman, Minister for Industry, is, however, still considering the matter.

The delay is part of the pattern of difficult relations between the commission and Ministerial departments over the special treatment allowed to nationalised industry under the Price Code.

It may well result in the commission asking for the national sector to be removed from its jurisdiction under Phase Three.

The strained relations, which have centred round the Minister's power to intervene in the public interest and the special "deficit" clause in the code relating to nationalised industries, came into the open last month when the Government allowed the Post Office to put up letter mail by ½p.

Under the allowable cost provision of the Code, the P.O. was justified in making this increase, but the commission said it agreed only with "great reluctance."

The commission, still acutely aware of its poor public image, could well feel that the whole Code is in danger of being undermined by the way in which the Government appears to be making the decisions on the prices charged by nationalised industries.

This awareness of public criticism may also lead to requests for other changes in the Price Code in Phase Three. The commission is known to be annoyed at its reputation as a body which passes price rises rather than controls inflation.

It is thought to feel that the announcement of price increase approvals contribute to this image, and may well campaign for an end to this system.

In the same way, members of the commission have publicly expressed their dislike at the way companies divide themselves into individual enterprises for profit margin reference purposes.

It is thought to believe that this clause is being abused, and working against the spirit of the Government's counter-inflation policy.

Minister replies to food price critics Page 37

Union split at Chrysler widens

By Peter Cartwright

THE BREACH widened yesterday between the Electrical and Plumbing Trades Union—nearly 300 of whose members are on strike at Chrysler U.K. car plants in Coventry and Scotland—and other unions which are refusing to support it.

Mr. Jack Ashfield, an EPTU national executive councillor, bitterly attacked the leaders of the two main unions—Mr. Hugh Scanlon of the engineering workers and Mr. Jack Jones of the transport workers—for allowing their members to work with "scab" labour.

He told a meeting of union members from Chrysler U.K. plants at Coventry yesterday that despite the noises the AUEW and the TGWU were making against the Government's wages legislation, they were refusing to back the electricians in their fight to win an extra £250 a year.

Mr. Ashfield made it clear however that the two issues of the wages claim and working with "scab" labour—allowing non-union management personnel to maintain equipment normally repaired by electricians—had been separated.

'Scab' labour

"We are not looking for support for the strike as such from other unions," Mr. Ashfield said, "but we do expect them not to work with 'scab' labour. We expect the leaders of the engineering and transport unions to behave like trade unionists."

This jibe is hardly calculated to win renewed support from workers at the Coventry factories making engines and Avengers. They went back nearly a fortnight ago and are continuing to work while supervisors from other Chrysler U.K. factories keep the machines running.

On the other hand, it may stiffen the resolve of the 4,500 militantly-led workers at Linwood who brought the plant to a standstill by walking out on Friday over the use of "scab" labour. The plant provides the Avenger assembly with body pressings and when stocks are used up Chrysler U.K. will again face a complete shutdown.

Most of the workers at Linwood are AUEW members, and the walk-out was in defiance of an executive instruction that they should keep working.

EPTU members at all Chrysler U.K. plants, including Dunstable and Luton commercial vehicle factories, are to hold meetings this week. This suggests the strike leaders are confident that workers in other unions at Linwood will maintain their support and ignore the official union line.

Lost production

The strike was started five weeks ago by 156 electricians at the Coventry factories. They were joined by 124 at Linwood last Wednesday. The management maintains it cannot pay more than £190 — or £60 short of the claim — under the Phase Two legislation.

Chrysler U.K. has so far lost production of 17,000 cars, worth more than £17m., and there have been several warnings of the company's increasingly serious position

EEC Ministers plan joint response to U.S.

BY LORELIES OLSLAGER

BRUSSELS, Sept. 9.

FOREIGN MINISTERS from the nine Common Market countries gather in Copenhagen tomorrow for one of their most important political meetings. It could lead to an historic breakthrough both in European political co-operation and in the Nine's relations with the U.S.

The Ministers are expected to decide the rough outline of the response that the Community countries should give to American calls for a new Atlantic relationship.

This is expected to be in the form of a draft declaration covering some aspects of the relationship which would then be discussed with the Americans and could be signed during President Nixon's visit to Europe, if Mr. Nixon decides to come.

If all goes well the U.S. would for the first time be able to start dealing with the European Community as an entity at a high political level. It would also be the first time that the EEC countries have decided visibly to act as a political and not just an economic group.

Prospects for success are considered brighter now that France, which had been dragging its heels for a long time, suddenly seems more willing to go along with its eight partners in meeting the U.S. half-way.

The most visible sign of the changed French attitude is the fact that M. Michel Jobert, the Foreign Minister, has decided to attend the Copenhagen meeting instead of accompanying President Pompidou on his Chinese visit which starts to-morrow. M. Jobert now plans to join the President in Peking later.

It is not certain why France suddenly changed her stance. One interpretation is that she is genuinely concerned about a German rapprochement with the East, and is rediscovering the importance of good relations with the U.S.

While France is less adamant in principle, it is still believed to be sticking to its position on details.

This is one reason why only the groundwork for a European response is expected to be laid in Copenhagen, while the exact form will be decided later.

Barring last-minute upheavals, the Nine are expected to decide that they should sign a declaration with the U.S., covering relations apart from defence. The latter is to be dealt with separately within the framework of NATO.

U.S. approach

The declaration is to be based on a definition of the "European identity," to which France attaches great importance, and would imply American recognition of Europe as an equal partner with world-wide rather than regional responsibility.

Haggling over words is expected to arise mostly from the French dislike of anything that implies inter-dependence between Europe and the U.S., or that European relations with the U.S. are of a different order than those with the rest of the world.

On trade and international monetary reform, the rough draft of a text which the Ministers will have before them is said not to go beyond generalities.

Apart from the question of the European identity and the content of the declaration, the Ministers are also expected to wrestle with the question of how to organise discussions with the U.S.

The Americans have been hoping for one declaration, instead of two, separating defence from other issues.

The question is how the Nine should approach Washington with their proposals. One opportunity will arise when Mr. K. B. Andersen, the Danish Foreign Minister, who is also chairman of the political consultations, visits Washington later this month.

Then there is the question of how to organise talks with the U.S. in order to arrive at an agreed text. France is objecting to anything that could look like the beginning of an "institutionalised" dialogue.

● Dominick J. Coyle writes from Dublin: Dr. Garrett FitzGerald, the Irish Foreign Minister, is to have informal discussions in Copenhagen with Sir Alec Douglas-Home prior to next week's historic Anglo-Irish Summit between Mr. Heath and Mr. Cosgrave, the Irish Prime Minister.

Bonn concern, Page 5

Continued from Page 1

Australia and New Zealand revalue

highly favourable balance of trade. At June 30, Australia's reserves, which in December exceeded $A5,000m., stood at $A4,319m.

In its efforts to reduce foreign funds and curb inflation, the Government produced its policy of revaluation. More recently, it cut tariffs by 25 per cent. to make imports cheaper.

There has yet been little evidence of this move reducing prices. Its effects, at best, appear to have been to hold-off pending price increases.

The external reserves are also seen by the Government as a prime source of the growth in domestic money supply. According to Mr. Whitlam there were strong indications that the reserves would increase even more strongly in 1973-74. He hoped the latest measures would reduce their size.

The revaluation is partly to offset the downward drag of the U.S. dollar in recent months. Compared with March 19, before the U.S. devaluation and the European float, there had on last Friday's rates been an effective devaluation of the Australian dollar parity of 1.5 per cent. During those months it had been greater for the Australian dollar—still tied to the U.S. dollar—floated down producing at one stage a 3 per cent. devaluation against world averages.

The revaluation decision was made only by the Prime Minister, the Treasurer, and Mr. Lance Barnard, the Deputy Prime Minister. No other Cabinet members were involved.

The move will be a blow to the hard-pressed mining industry and, in particular, those producers with contracts written in U.S. dollars with no revaluation allowances.

Manufacturing industries will also protest. Their exports will now become dearer, and they will be open to even greater competition from imports. The Government has been openly encouraging this move in its efforts to cut prices and produce more efficient manufacturing industries.

Primary producers, too, will suffer although the current shortage of many commodities around the world is such that immediate effects will be minimal.

Dai Hayward reports from Wellington: The New Zealand revaluation is a determined bid to hold inflation, reduce domestic meat prices and remedy the growing shortage of consumer goods.

It was part of far-reaching measures on the internal economies, one of which is intended to realise considerable quantities of meat for the domestic market and slow down soaring meat prices.

Export controls on tallow and meat meal will also come under price control to ensure ample supplies and hold rising prices for the egg and poultry industries.

Fish exports will now be licensed to ensure ample supplies for the home market. Recent shortages of fish in New Zealand cities has aroused criticism, particularly in view of large fish exports to Australia and Japan.

New Zealand has also allocated 70m. dollars for imports of a wide range of consumer goods and raw materials. Wage increases over the last year have increased unexpected demands for a wide-range of household goods, furniture and domestic appliances, and there are now wide-spread shortages.

Factories, although working to full capacity, are several months behind, and the imports are intended to damp down demand and ease prices.

Government departments are to be instructed to release surplus land in urban areas at reasonable prices. Land values and house prices have increased sharply over the past year.

Some housing in popular areas has increased in value by 40 per cent. in two years, and the Government hopes that by releasing land, now held by railway and other departments, it can encourage lower-cost housing and hold property values.

If domestic meat prices do not fall by a least 10 per cent. by November 1 the Government will impose ceiling prices for all grades of meat. If sales prices exceed the ceiling the surplus will be taken by the Government and used for the benefit of the meat industries.

Weather

U.K. TODAY
MAINLY DRY, with temperatures much lower than past few days.
London, S.E. Eng., E. Midlands
Cloudy, bright periods. N.E., moderate. Max. 1[illegible]
Cent. S. and S.W. Eng., Channel Is.
Dry, sunny periods. light or moderate. [illegible] (64F).
W. Midlands, Wales, N.W., Lakes, Is. of Man, S.[illegible], Glasgow, N.[illegible]
Dry, variable cloud, sunny periods. Wind E., moderate. Max. 17C [illegible]
Aberdeen, Moray [illegible], Caithness
Cloudy, bright periods. N., light or moderate. [illegible] (57F).
Cent. Highlands, [illegible], N.W. Scot.
Dry, variable cloud, sunny intervals. Wind E., light. 15C (59F).
Orkney, Shetland
Cloudy, bright periods. Rain later. Wind N., moderate. Max. 11C [illegible]
Outlook: Dry, sunny [illegible]
Lighting-up: London [illegible] Manchester 20.08, Glasgow [illegible] Belfast 20.25.

BUSINESS CENTRES

		Y'day Mid-day °C	°F
Amsterdm.	C	19	66
Athens	S	[illegible]	[illegible]
Beirut	S	[illegible]	[illegible]
Belfast	C	[illegible]	[illegible]
Belgrade	S	[illegible]	[illegible]
Berlin	S	[illegible]	[illegible]
Birmghm.	S	24	75
Bristol	S	23	73
Brussels	F	19	66
Budapest	S	[illegible]	[illegible]
Cardiff	S	22	72
Cologne	F	27	81
Copnhagn.	C	22	72
Dublin	S	19	66
Edinb'rgh	C	16	61
Frankfurt	F	27	81
Geneva	F	24	75
Glasgow	C	17	63
Helsinki	C	[illegible]	[illegible]
Lisbon	S	[illegible]	[illegible]

HOLIDAY RESORTS

		°C	°F
Ajaccio	S	[illegible]	[illegible]
Barcelona	S	27	81
Biarritz	S	26	79
Blackpool	S	[illegible]	[illegible]
Bordeaux	S	24	75
Boulogne	C	[illegible]	[illegible]
Casablnca.	S	23	73
Corfu	S	[illegible]	[illegible]
Dubrovnik	S	[illegible]	[illegible]
Faro	S	25	77
Funchal	S	24	75
Gibraltar	S	25	77
Guernsey	F	[illegible]	[illegible]
Innsbruck	S	[illegible]	[illegible]
Inverness	F	[illegible]	[illegible]
I. of Man	F	[illegible]	[illegible]
Istanbul	S	[illegible]	[illegible]

S—Sunny. F—Fair. C—Cloudy.

Provost urged to resign

MR. TOM MOORE, [illegible] Dundee, has been [illegible] resign from public [illegible] executive committee [illegible] Scottish Labour Party.

The committee met [illegible] to discuss a report by [illegible] Allison, the party's [illegible] following newspaper [illegible] that Mr. Moore alleged [illegible] thousands of pounds [illegible] property deals in Dundee.

Mr. Moore, 47, has [illegible] Dundee council for 18 [illegible] was appointed Lord Provost [illegible] May.

Registered at the G.P.O. Printed by St. Clements Press Ltd. for and published by The Financial Times Ltd., Bracken House, Cannon Street, London [illegible]